Austria	[illegible]	Iran	[illegible]	Pakistan	[illegible]
Bahrain	[illegible]	Israel	[illegible]	Philippines	[illegible]
Belgium	[illegible]	Italy	[illegible]	Poland	[illegible]
Cyprus	[illegible]	Jordan	[illegible]	Portugal	[illegible]
Denmark	[illegible]	Korea	[illegible]	Qatar	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	S.Arabia	[illegible]
Finland	FM6.50	Lebanon	L$1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.25	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft120	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr130	Nigeria	Naira15	Tunisia	Din0.850
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Monday February 11 1991

D 8523A

PAYING BILLS

Long, costly wait for satisfaction

Page 13

World News

Yeltsin rules out separate military force for Russia

Boris Yeltsin, President of the Russian Republic and the most prominent challenger to the policies of Mikhail Gorbachev, the Soviet President, has said he does not now intend to set up a Russian army. Page 14

South African riot

One man was killed as supporters of rival black groups fought with spears and guns in the troubled South African township of Bekkersdal. Page 4

Koreans detained

Police detained 69 labour activists meeting to consider support for strikers at South Korea's second largest shipyard. Page 4

Atom health threat

A US congressional study criticised a government agency for understating the health threat posed by atomic weapons plants and says the government's effort to clean them up suffers from a shortage of resources.

Albania coup denial

Albania's defence minister, Kico Mustaqi, dismissed rumours that the army was planning a coup before the country's first democratic elections next month. Page 3

News office arson

The offices of El Salvador's oldest and most influential newspaper, El Latino, were damaged in an arson attack at the weekend. Page 4

Iran pardons 10,000

Iran's supreme leader Ali Khamenei has agreed to pardon or commute the sentences of nearly 10,000 prisoners to mark the anniversary of the 1979 Islamic revolution, Tehran radio said.

Israelis wound three

Israeli security forces shot and wounded three wanted Palestinian militants in an ambush near the West Bank city of Nablus, military sources said.

More Somali fighting

More fighting was reported between two armed Somali factions near the capital, Mogadishu, renewing the civil war that had abated in recent days after former President Mohamed Siad Barre fled late last month. Page 4

Slovenia warns

Yugoslav republic of Slovenia said it was stepping up moves towards secession and warned that the whole of Yugoslavia could disintegrate.

Black Tory selected

A black lawyer was confirmed as a parliamentary candidate for Britain's ruling Conservative Party after his initial selection was criticised in openly racial terms. Page 7

Japan N-plant shut

Japan has shut down a nuclear reactor after a defective steam generator leaked large quantities of highly radioactive water into its second cooling chamber, government and power company officials said.

India census starts

Some 1.5m census-takers fanned out over India to find out just how big the population is in the world's second most heavily populated nation.

Rebel hunger strike

Chen Ziming, one of four alleged masterminds of China's 1989 pro-democracy demonstrations, has begun a hunger strike to demand more time to prepare his defence for a trial expected to open today, friends said.

Burma arms deal

Burma has agreed to buy arms worth nearly $1bn from China, one of the few countries to maintain close ties with Rangoon's army government, diplomats said at the weekend.

Business Summary

London gilts market moves in to £40m profit

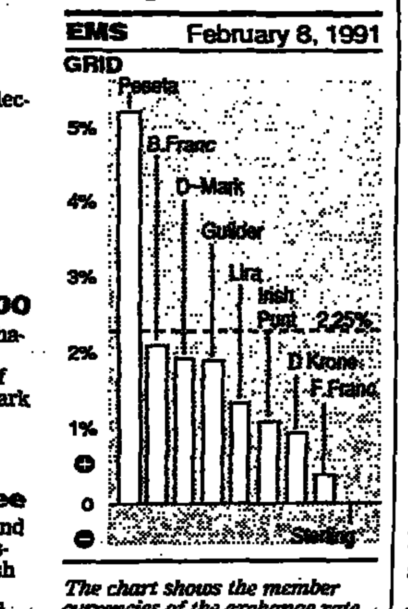
Market makers in UK government bonds turned in an operating profit last year for the first time since the Big Bang of 1986 – the beginning of financial deregulation in the City of London.

The 19 financial groups registered by the Bank of England to make markets in the gilt-edged securities made a total operating profit of £40m ($78m) last year, compared with a loss of £12m in 1989 and one of £190m between 1986 and the end of 1988. Page 14

EUROPEAN Monetary System: Sterling remained the weakest member of EMS exchange rate mechanism last week, undermined by speculation about lower UK bank interest rates. The pound closed on Friday at DM2.8950, about 2 pfennigs above its floor against the D-Mark. ERM trading was generally quiet, with the weaker members helped by co-ordinated central bank intervention to sell the D-Mark against the ailing US dollar. Currencies, Page 25

EMS February 8, 1991

GRID



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

AMERICAN Airlines, one of the two largest US carriers, has reached tentative agreement on labour contract with its pilots, dispelling prolonged threat of strike. Page 17

UBS Phillips & Drew, London-based securities house owned by United Bank of Switzerland, will today become first firm to launch a brokerage operation from scratch in Paris. Page 15

MILAN Stock Exchange: Floor traders say they will begin a strike on Friday in protest over a capital gains tax. Page 3

TELECOMMUNICATIONS: Venezuela has asked international telecommunications companies to supply data to help it in privatisation of state-owned telephone monopoly CANTV. Page 4

CHANNEL tunnel: Building contractors appear to have achieved breakthrough in claim for substantial extra payments from Eurotunnel, the project's developer. Page 14

GREECE'S current account deficit soared to $3.6bn in 1990, a 40 per cent rise from previous year. Page 3

NEW York Stock Exchange plans to cut additional jobs, bringing total staff to about 1,600. Page 17

STATE Bank of South Australia revealed loss of nearly A$1bn ($700m) and warned that non-performing loans could amount to A$2.5bn. Page 4

Lithuanians vote overwhelmingly for independence

By **Leyla Boulton** in Vilnius, **John Lloyd** in Moscow and **Lionel Barber** in Washington

LITHUANIA'S parliament will meet today to consider how to build on the overwhelming vote by the Baltic republic's citizens at the weekend in favour of independence from the Soviet Union.

One of the key questions will be how to achieve a settlement with President Mikhail Gorbachev, who declared last week that the poll would be non-binding.

In a reminder of who may have the final say, the Soviet Army yesterday began 10 days of manoeuvres in all three Baltic republics.

With a remarkably high turnout of 84.43 per cent, the Baltic republic's self-styled plebiscite produced a 90.47 per cent majority in favour of independence. Only 6.5 per cent of voters voted against, while 2.9 per cent spoiled their ballot papers, many in protest against the poll.

But reaction in Moscow to the Lithuanian poll was exceptionally restrained. Reports on television, radio and the Tass official news agency merely reported the size of the pro-independence majority, and repeated statements by Mr Gorbachev that the vote was illegal and was called in opposition to a country-wide referendum on the continuation of the union to be held on March 17.

The Kremlin is not expected to repeat the use of force against the Lithuanians in the near future, following the outcry over last month's abortive army crackdown which killed 13 unarmed civilians.

The referendum gave Lithuania's president, Mr Vytautas Landsbergis, a huge boost for his campaign to lead Lithuania to independence after 50 years of Soviet rule.

Mr Landsbergis, often criticised for his uncompromising stance towards Moscow, said the vote was "an expression of popular will".

"This vote gives Gorbachev a major public relations problem," said a western diplomat, an observer of the poll.

In Washington, Mr James Baker, the US Secretary of State, said the US continued to urge the Soviet Union to exercise restraint and reopen a dialogue with the Baltic states.

He withheld direct comment on the weekend vote but said the Baltics remained "very important" for the US-Soviet relationship. "We are not shy about making our position clear on this," he said.

The poll indicated unease, however, among the republic's Russian, Polish and Belorussian minorities who make up 20 per cent of the population. They had been urged to boycott the plebiscite by the local communist party.

In Vilnius, where more than a third of the population is non-Lithuanian, 8.59 per cent of ballot papers were spoiled. In the mainly Russian stronghold of Novaya Vilnya, an industrial suburb of Vilnius, turn-out was as low as 15 per cent.

In Salcininkai, a poor agricultural region, where many inhabitants are Poles, the turnout was just 25 per cent.

Lithuania's referendum is being followed by neighbouring Estonia, which plans its own poll on March 3. Latvia, Georgia, Armenia and Moldavia, which, like Lithuania, have rejected Mr Gorbachev's referendum, are likely to follow suit.

Soviet power struggle, Page 14

US defence chiefs to deliver verdict on land war to Bush

By **Lionel Barber** in Washington, **Victor Mallet** in Dhahran and **Robert Graham** in London

PRESIDENT Bush will today receive a first-hand report on the progress of the Gulf war, including recommendations on the timing of a ground offensive to eject Iraqi forces from Kuwait.

Mr Dick Cheney, US Defence Secretary, and General Colin Powell, chairman of the US joint chiefs of staff, will deliver their assessment of the progress of Operation Desert Storm launched on January 17. This will be based on intensive weekend discussions with US field commanders in Saudi Arabia.

Their report will contain the latest assessments of the allied air campaign against the entrenched 500,000 strong Iraqi force in southern Iraq and Kuwait, and estimates of potential US and allied troop casualties in the event of a early ground offensive.

Mr Cheney said in Riyadh that after a certain time, air power used alone has "diminishing returns". He hinted strongly that one allied tactic could be to use ground-based probes to flush out Iraqi troops and tanks into the open, where they could be destroyed by allied warplanes.

Although allied commanders remain reticent about the timing of an attack, most observers expect President Bush to decide soon on whether to launch a ground offensive shortly or wait several more weeks to further soften up Iraqi forces. The US now has a total of 505,000 servicemen and women in the area, and says its build-up is virtually complete.

Faced with a broadening of the allied offensive, Iraq yesterday brushed aside Iran's recent attempt to broker a peaceful settlement based on an Iraqi withdrawal from Kuwait. Mr Saddoun Hamadi, Iraq's deputy prime minister, said in Jordan his country would fight on, relying on a rising of the "Arab masses" against the leaders of the 28-nation coalition's Arab partners.

However, Mr James Baker, US Secretary of State, said the US had no objection to President Gorbachev, the Soviet leader, sending a special envoy to Baghdad on a peace mission.

Mr Baker played down the importance of President Gorbachev's weekend statement warning of the risk of the US exceeding its United Nations mandate, saying Moscow remained supportive of the US-led coalition efforts to secure Iraqi withdrawal.

Meanwhile King Hussein of Jordan yesterday appeared to be making a dignified attempt to ensure relations with the US did not deteriorate further after Washington accused him of tilting towards Iraq. He was reported to have told Mr Hamadi, who visited him in Amman, that Jordan wanted to see Iraqi troops withdraw from Kuwait.

Fuelling the air of expectancy in Washington, Mr Moshe Arens, Israeli defence minister, will be briefed by Mr Cheney today. Tomorrow, Mr Tom King, British defence secretary, and Sir David Craig, chief of the Defence Staff, will hold talks with their US counterparts.

Mr Bush himself admitted last week that he is sceptical about whether air-power alone can end the Iraqi occupation of Kuwait. He also suggested that only overriding concerns would cause him to reject the advice of his theatre commanders on the timing of a ground war.

Dick Cheney: air power alone has "diminishing returns"

Mr Cheney confirmed this approach during a news conference in Riyadh: "The President will place very significant emphasis upon the military advice he receives with respect to this decision. He has done that from the very beginning of the campaign."

Mr Bush does, however, face opposition in Congress to an early ground offensive. Senator George Mitchell and Senator Robert Dole, Democratic and Republican majority leaders, both called for continuing aerial pounding yesterday and warned the president that the need to reduce American casualties was paramount.

Assessing the air campaign, now in its fourth week, Mr Cheney said it had made "major in-roads" into Iraq's ability to wage war and some of the élite Republican guard

Continued on Page 14
Further reports, Pages 2,3

British Airways postpones orders as traffic slumps

By **Lynton McLain** in London

BRITISH Airways is to postpone a £1bn aircraft replacement programme in the face of the sharpest downturn in passenger traffic the UK flag carrier has known.

The move comes on top of the airline's plans to seek more than 5,000 voluntary redundancies because of the combined effects of the recession and the Gulf war.

These retrenchment plans are to be announced tomorrow by Lord King, the airline chairman, when he gives BA's third-quarter financial results. He forecast a loss for the second half of BA's financial year to the end of March when he announced an interim pre-tax profit of £340m ($663m) last year.

BA has already cut its passenger capacity by 13 per cent by withdrawing services, including those to the Irish Republic, axing 10 of its 17 supersonic Concorde flights from London to the US. All Concorde services to Washington and Miami have been dropped. Only a daily return flight to New York remains.

Lord King told BA's 52,000 staff on Friday that "after eight consecutive years of expansion, passenger traffic has declined with jolting suddenness." The sharpness of the downturn coincided with the outbreak of hostilities in the Gulf, BA said.

Passenger numbers fell 11 per cent in January compared with January last year, but the decline in passenger demand has sharpened since the outbreak of war.

Passenger numbers are running at 20 per cent below the corresponding period last year.

King warned staff that unless BA's "very expensive aircraft are kept in almost continuous use and carried reasonably full loads our operations can lose money at a frightening rate."

The airline is to postpone indefinitely its planned replacement of 25 of its older airliners, including its entire fleet of 17 Tristars and the eight DC-10 aircraft it acquired with the purchase of British Caledonian Airways.

Four airliners were in the running to replace these BA aircraft, the Boeing 777, McDonnell Douglas MD-11 and the Airbus A330 and A340.

BA also faces a threat to its dominance at its base at Heathrow Airport, London.

The UK Civil Aviation Authority has recommended the abolition of air traffic distribution rules which prevent new airlines from operating out of Heathrow.

Other international airlines are also feeling the downturn in passenger demand. KLM Royal Dutch Airlines has announced big cuts in services to European and US destinations. It is reducing capacity on European services by 20 per cent and discussing lay-off proposals with its Dutch labour unions.

SAS, the Scandinavian state-controlled airline, plans to shed 3,500 jobs or nearly 15 per cent of its labour force as part of a two-year cost cutting programme.

Trading difficulties have also hit US airlines. Trans World Airlines recently announced plans to cut 1,500 jobs.

USAir, said last night that it

Continued on Page 14

US manufacturers urge Bush to take tough action on exports

By **Michael Prowse** in Washington

MR Jerry Jasinowsky, president of the US National Association of Manufacturers, has urged the Bush administration to take tougher action against US trading partners in an effort to ease the domestic recession.

Mr Jasinowsky was addressing executives from 150 leading US manufacturers gathered in Boca Raton, Florida, at the weekend for the association's annual meeting.

Export growth provided the best hope of recovery from the domestic recession, which he hoped would be fairly mild.

He released a survey indicating that more than two thirds of manufacturers expect a short and shallow recession. But few expect a vigorous recovery: nearly 60 per cent said a steady rebound was likely but 40 per cent predicted "weak, sluggish growth".

The administration should take more vigorous steps to promote exports, he said, including the forcing open of overseas markets and the provision of more generous funding for the Export-Import Bank, which provides loans to finance exports.

Nearly two-thirds of the manufacturers said they believed the growth of manufacturing could be hampered by the apparent unwillingness of banks to lend.

Mr Alan Greenspan, the chairman of the Federal Reserve, told the meeting he saw no convincing evidence that bank lending was reviving. But he said Fed policies, such as lower interest rates and reduced reserve requirements, would eventually ease the "credit crunch".

The manufacturers' association singled out Tokyo for failing to remove obstacles to imports and urged the US to take retaliatory action if markets were not opened.

Mr Jasinowsky said the US should also restructure its overseas aid programme to help companies win overseas orders.

Export promotion is also advocated by Mr Fred Bergsten, the director of the Washington-based Institute for International Economics. In an article in the institute's latest issue of Economic Insights, he says US industry and government must adopt "a new mind-set of export orientation" if the US is to recover quickly from recession.

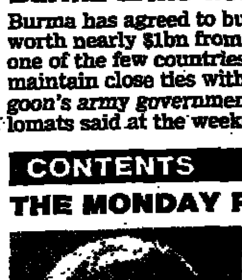
He says 85 per cent of US exports are still accounted for by only 15 per cent of US companies. Half of companies that export are active in only one overseas market.

The Bush administration should sharply increase the funding of export guarantee programmes and remove obstacles to overseas sales such as "excessive national security controls" on high-tech exports.

Supported by the falling dollar, US exports have grown rapidly in recent years. But in 1989 they accounted for under 10 per cent of gross national product compared with 15 per cent in Japan and 35 per cent in Germany.

CONTENTS

THE MONDAY PROFILE



A year after his release from prison, Nelson Mandela still faces many difficult hurdles before achieving the breakthrough that will bring about a non-racial constitution in South Africa
Page 30

FT SURVEYS AHEAD

European Finance and Investment

Intense dealing, above, on the International Petroleum Exchange. (See details, right, regarding Thursday's survey.)

■ THURSDAY

European Finance and Investment: the financial climate in many parts of Europe is suffering from growing economic uncertainty and impact of the Gulf war. But, longer-term, there is a strong underlying tide of expectation created by the progressive unification of the European Community and the liberalisation of Eastern Europe.

■ OTHER SURVEYS AHEAD

Monday, Feb.18: Panama.
Friday, March 1: Business Books.
Monday, March 4: Corporate Contracted Services.
Tuesday, March 5: Spain.

Baghdad 'determined to fight on'

Hammadi stifles hopes for Iranian peace deal

By Mark Nicholson in Amman

MR Saddoun Hammadi, Iraq's deputy prime minister, yesterday appeared to kill any hopes of an Iranian-brokered peace deal in the Gulf.

He ruled out Iraqi withdrawal from Kuwait – a central pillar of Tehran's proposals – and said Iraq was determined to fight on and revenge "criminal" coalition bombings.

During a two-hour press conference in Amman, the first by such a senior Iraqi official since the war began, Mr Hammadi, also urged Arab and Moslem states to form a united front in support of Baghdad by severing diplomatic ties with the coalition countries attacking Iraq.

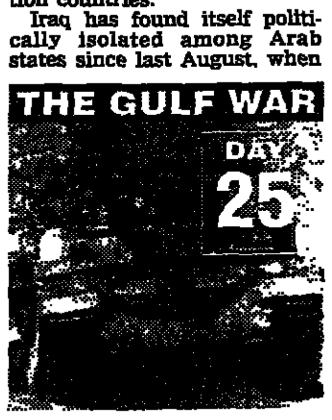
In a note of some desperation, Mr Hammadi appeared to pin his country's faith on a backlash by the "Arab masses" against their rulers. He gave short shrift to Iran's peace proposals. "We have told Iran that what is taking place is unrelated to Kuwait. The question now is American aggression – imperialist aggression – which is intended to destroy Iraq and subjugate the region."

He had flown to Amman on Saturday from Tehran, where on Friday he had delivered a letter from Mr Saddam Hussein, the Iraqi president, to Mr Ali Akbar Rafsanjani, Iran's president, containing Iraq's formal reply to the proposals.

Mr Hammadi insisted Iraq would continue to fight and was confident of victory. He said: "The war will be a long one and the aggressors will not be able to win anything without paying twice as much."

Nevertheless, in what he described as an "address to the Arab masses and the Arab governments", Mr Hammadi appealed for outside support from Iraq's "Arab brothers", urging the creation of a united Arab and Moslem front to face down the US and other coalition countries.

Iraq has found itself politically isolated among Arab states since last August, when 12 of the Arab league's 20 members voted to send an Arab force to defend Saudi Arabia.



Jordan, where popular sympathy for Iraq runs deep and was strongly expressed in a speech by King Hussein last week, remains formally neutral.

However, Mr Hammadi's decision to address the world's press in Amman must be seen as an attempt to place further pressure on Jordan's neutrality. In the present Arab world, he said pointedly that "neutrality represents indifference".

Mr Hammadi predicted that the "Arab masses" in both Syria and Egypt would rise in protest against their governments, and in what had the ring of a last ditch plea, said: "The minimum Arab states should do is reject UN Security Council resolutions and boycott those states participating in the aggression against Iraq." Iraq last week severed diplomatic ties with all the leading members of the coalition. However, few if any other Arab states are likely to follow suit.

Jordan scotched any notion that it would sever ties with the US following coalition attacks on the kingdom's oil tankers and Washington's later announcement that it was "reviewing" aid to the country.

Shivering in Iraq's reality gap

"PLEASE take note", said the Iraqi teacher. "Next week, we will liberate Palestine. That is the first step. Then, we will chase all corrupt rulers out of the Arab lands. Next step: the liberation of all mankind from American and Zionist domination."

Then, with only the faintest hint of a bitter smile, he said: "Too bad we have to do all this while we shiver in our homes, without heating, by the light of candles, and afraid of being killed by American bombs."

Gauging the popular mood in Iraq – a complex, relatively well-educated society dominated by one of the most secretive governments in the world – is difficult for a western journalist touring the country in the company of government officials.

By Bernd Debusmann of Reuters

But, in meeting dozens of Iraqis from all walks of life in Baghdad and provincial cities that were targets of allied raids, one message came across loud and clear: This is not a popular war and a rapidly-growing number of Iraqis resents the huge gap between reality and government statements that exude confidence, defiance and predictions of victory.

The conventional wisdom that people under bombing rally behind their leader does not appear to apply in Iraq.

For this correspondent, familiar with Iraq since the mid-1970s, the most astonishing aspect of government-organised tours was perhaps what was left unsaid.

Kuwait was rarely a topic. Only once was there any mention of President Saddam Hussein from a resident talking to reporters about allied air attacks. "We are all behind our great leader Saddam Hussein", said Iman Shaker, a 25-year-old teacher in a village south of Baghdad.

On a wall in Baghdad's Karradeh district, there was evidence to the contrary. The wall had been recently repainted but faint outlines underneath were still visible: "Yasqot Saddam" (Down with Saddam).

The attitude of many Iraqis appears to fall between these two extremes.

What came across repeatedly in conversations is the belief that President Saddam miscalculated in challenging the US, and that he is now determined to fight to the bitter end – even if that means the complete destruction of Iraq.

The scale of the US onslaught has left many Iraqis in dazed disbelief and prompts frequent comparisons with the war against Iran.

"The Americans inflicted more damage on our country in the first two hours of the war than the Iranians did in eight years," said a businessman in the southern town of Diwaniyah.

Allied bombardments have killed hundreds of civilians (the government has released no overall estimate) but some Iraqis in the capital speak of the precision of the raids with a mixture of awe and fear.

Among the US bombers' targets, said Baghdad residents, were the homes and mansions of the president and his family in the capital, in his home town of Takrit and in northern mountain resorts.

There is no way of checking whether these have been destroyed.

Seaman Jim Hollis of Atlanta greases a 16-inch gun on board USS Wisconsin at the weekend. The battleship has been bombarding Iraqi positions on the Kuwaiti shoreline

Hurd sets out to stimulate debate on regional security

By Victor Mallet in Riyadh

MR Douglas Hurd, the British foreign secretary, yesterday declared himself satisfied that the Middle East was beginning to make arrangements for post-war regional security which would help the world in "winning the peace" once Iraqi forces had been driven out of Kuwait.

After talks with Egyptian, Saudi and exiled Kuwaiti leaders on a visit to Egypt and Saudi Arabia, Mr Hurd acknowledged that diplomats were taking a back seat while the generals fought the war and that there was "a huge uncertainty" about the future of Iraq and its government.

Like his European and American colleagues, however, Mr Hurd is anxious to stimulate debate about the post-war era to avoid what one British official called an "extremely awkward vacuum" after an allied victory.

Asked about peacekeeping arrangements, he said: "The initiative and the ideas have to come from the area, and the future defence effort and security effort has to come from the area."

Britain does not want to station ground forces permanently east of Suez, but is prepared to consider requests for a British air and naval presence in the Gulf and to have pre-positioned military equipment in the area.

The western members of the multinational alliance say privately that the six-nation Gulf Co-operation Council has proved an inadequate security umbrella for the Gulf states, and Mr Hurd envisages a broader arrangement which might include Egypt, Iran, Syria and an Iraq after President Saddam Hussein.

He also believes it is essential to push for a settlement of the Arab-Israeli dispute and to control the flow of weaponry to the Middle East.

Behind the scenes in the west there is disquiet about Arab public opinion, which has leaned towards Mr Saddam during the allied aerial bombardment of Iraq, especially in Jordan and the Maghreb. Mr Hurd, however, expressed confidence that the Iraqi leader had not made much headway in Syria, Saudi Arabia or Egypt, the three main Arab members of the alliance.

Britain and other alliance members say they believe Iran will stay neutral in the conflict, but Mr Hurd was obviously disappointed that the Iranian authorities had not put more pressure on their Hizbollah proteges in Lebanon to release western hostages.

'Moscow must play a big part'

By John Lloyd in Moscow

THE Soviet Union must play a big role in the post-war settlement in the Middle East, according to a commentary in the Communist Party paper Pravda.

The commentary appears as Mr Mikhail Gorbachev, the Soviet president, warned at the weekend that he feared the allied forces might exceed their UN mandate of expelling Iraq from Kuwait.

Mr Gorbachev called for President Saddam Hussein to "display realism", and announced the immediate despatch of his personal representative to Baghdad for talks with the Iraqi leader.

Mr Gorbachev's statement, stressing the danger of escalation through the involvement of Israel and the use of nuclear weapons, is in part directed at a domestic audience, elements of whom, in the army and the Communist party, are becoming restive with support for an American-led war close to Soviet southern borders.

The Pravda commentary, by senior analyst Thomas Kolesnichenko, lays great stress on the agreement signed between Mr James Baker, the US secretary of state, and Mr Alexander Bessmertnykh, the Soviet foreign minister, in Washington last week. That, says Mr Kolesnichenko, explicitly gives the USSR a part to play in the post-war settlement.

Noting that Mr Bush has stressed the "leadership burden" of the war, Pravda says: "All the world recognises the US as leader of the anti-Iraq coalition. But should we leave the leadership burden of the post-war settlement on Washington too? Equal efforts from all the world community are needed in this case, including the Soviet Union - and this is the basis of the joint [Baker-Bessmertnykh] statement.

Mr Gorbachev said the Soviet Union wanted to help to "begin preparing a solid and equitable security system in that region, which is so important for the whole world. The security system should include, of course, the settlement of the Arab-Israeli conflict and the Palestinian problem."

France sees post-war role for UN as peacekeeper

By William Dawkins in Paris

FRANCE believes a United Nations peacekeeping force could be used to help guarantee stability in the Gulf region once the war is over.

Mr Roland Dumas, the French foreign minister, said yesterday that the UN should return to the front of the stage as soon as the peace process begins.

His remarks, in an interview with a French newspaper, appear aimed at reassuring ambivalent public opinion in the Arab world, while reinforcing France's wish to be seen as contributing strongly to the allied cause.

France would use its "diplomatic and political capital" to the full in the post-war negotiations, he said.

Mr Dumas said that recent missions by French diplomats to the Maghreb countries of northern Africa were designed to show that Paris sympathised with their unease over seeing an Arab nation attacked but to stress the importance of upholding international law. Paris had also warned its fellow allies in recent weeks against the danger of pushing Jordan "into the arms of Saddam Hussein".

Mr Dumas understood Arab concerns about the principle of international law being upheld in other circumstances. "France has always been on the side of those who want the rule of law to be applied everywhere, and above all concerning the Palestinians," he said. UN forces could be present while a peace conference got under way, which could include talks between Israel and the Palestinians, he suggested.

Curfew lifted for Palestinians

By Judy Maltz

AN ISRAELI curfew imposed on the occupied territories at the start of the Gulf war was lifted yesterday so that Palestinian workers could begin to return to their jobs in Israel.

Military authorities had agreed to allow 6,000 of the 100,000 Palestinians who usually work in Israel to return to their jobs, primarily in sectors such as construction and agriculture which rely heavily on labour from the West Bank and Gaza Strip. However, only a fraction of this number showed up yesterday – about 1,100 workers from Gaza and 400 from the West Bank.

Mr Freddy Zach, the Defence Ministry's deputy co-ordinator for affairs in the occupied territories, said that many Palestinians had not yet managed to organise their return to work. He said that the number of Palestinian workers allowed back into Israel would be increased gradually on condition that there was no resumption of unrest in the occupied territories.

For Palestinians, the 26-day curfew on the occupied territories has meant severe economic hardships, because of the large number of families who rely on income from jobs in Israel. The curfew has generally been lifted several hours each day to allow families to shop for necessities.

According to stringent new military instructions, all Palestinian workers must arrive in Israel by organised transportation from designated pick-up points. No residents of the occupied territories are allowed to remain in Israel after dark and only those registered at the employment bureaus may work in Israel.

The military also forbade the immediate return of Palestinian workers to the greater Tel Aviv and Haifa areas, the main targets of Iraqi missile attacks. Part of the explanation given for this was to prevent attacks on Arabs in the event of another missile attack.

● Israel said it had arrested 350 Palestinian activists of the Islamic Resistance Movement in the West Bank and Gaza Strip, Reuter reports. The army said the activists of the group, known as Hamas (Zeal), included a man suspected of stabbing to death three Israelis in Jaffa in December.

Arens in talks with Cheney

By Judy Maltz

MR MOSHE Arens, Israel's defence minister, flew to Washington yesterday for an unexpected meeting with Mr Richard Cheney, the US defence secretary.

It is believed that Mr Arens, the first senior Israeli minister to meet US officials in Washington since the outbreak of the war, will discuss the possibility of Israel retaliating against Iraqi missile attacks, the latest of which occurred early on Saturday. morning.

Israel has repeatedly said it aims to reach an understanding on prior co-ordination with the US before taking any military action. Its policy of restraint has been praised by US officials.

Asked whether Mr Arens would broach the subject of stepped-up US military aid to Israel, his spokesman said: "It's possible that this will come up, but the main focus of our concerns these days is the war, the [missile] threat, and the need to abolish it." Mr Arens may also raise the issue of accelerating the development of the US-financed Arrow anti-missile missile. The project – part of the Strategic Defence Initiative – is about to enter its second stage of development.

Mr David Levy, the foreign minister, will also be in Washington this week for talks on Friday with Mr James Baker, the secretary of state. He is also likely to bring up the subject of increased US aid to compensate Israel for the economic costs of the war.

Security Council session may hold debate

By Michael Littlejohns, UN Correspondent, New York

THE UN Security Council plans to meet on Wednesday for what could develop into its first full-scale review of the conduct of the Gulf war. Whether the session will be an open one, possibly leading to a protracted and heated debate, or a shorter meeting behind closed doors – as proposed by Austria – was undecided yesterday.

Yemen, the only Arab member, and Cuba – both of which voted against the council's resolution authorising the use of force to expel Iraq from Kuwait – have been trying virtually since the allied attack began to have the UN call for a ceasefire followed by negotiations.

If only because the US, Britain and France have veto power, there is no chance of success for any such initiative, but diplomats said even having an open debate on the war at this stage would be unwelcome to the allies and could play to Baghdad's advantage.

The diplomatic manoeuvring in the Security Council coincides with growing concern about the scale of the allied air offensive against Iraq. In a statement to council members on Friday, Mr Javier Pérez de Cuéllar, the UN Secretary General, spoke of his "anguish and regret" over the resort to force.

He said: "The lives of millions of civilians are endangered by a confrontation that for the moment shows no sign of abating." Iraq told the UN last week that allied bombs had killed at least 450 Iraqi civilians, including children, but some UN officials believe this to be an under-estimate.

The plan for a council meeting also follows strong criticism by Soviet President Mikhail Gorbachev that the allies have exceeded their UN mandate, and calls by him and Mr Pérez de Cuéllar for a new effort to resolve the crisis through diplomacy.

Mr James Baker, the US secretary of state, said yesterday that Mr Gorbachev gave Washington prior notice of his statement. American officials claimed not to be concerned by its potential impact.

Doubts in Congress on land war

By Lionel Barber in Washington

CONGRESSIONAL leaders yesterday expressed serious reservations about an early US-led ground war.

As President George Bush prepared to receive a first-hand report from his top military advisers on the timing of a ground offensive, Democrat and Republican leaders in the Senate appealed for continuing air power to soften up entrenched Iraqi forces.

Senator George Mitchell, Democratic majority leader, said: "The ultimate question must be based upon keeping down American casualties. I think we should err on the side of caution."

Senator Robert Dole, the Republican minority leader severely wounded in the second world war, said the three-and-a-half-week aerial pounding had been successful and should continue "until we decide we can hasten the end by some limited ground action".

The New York Times threw its weight behind a delay in the ground war, asking: "What's the rush? Is the president so eager to avoid another Vietnam that he's ready to risk another Battle of the Bulge?".

Mr Bush said last week that he remained "sceptical" about whether air power alone could drive Iraqi forces from Kuwait.

In practice, most military experts and many civilian politicians agree that the issue is not whether ground forces are needed, but what is the best moment to throw them into battle.

UK companies want share in rebuilding Kuwait

But the aggressive Americans are believed to have got in first, **Andrew Taylor** and **David Owen** report

WITH bombs still falling in Kuwait, construction and engineering companies are jockeying to improve their chances of winning substantial contracts to rebuild the country when the fighting finishes.

"It may seem a little sick to be pursuing commercial advantage when people are dying but there is no point waiting for a more sensitive moment and finding the Americans have already carved up the market," says the chief executive of one Britain's biggest construction companies.

The view that US engineering groups have already ensured themselves a dominant role when Kuwait is rebuilt is shared by a large number of British companies.

They fear that the initial reluctance of British authorities and company executives to exploit the situation has left them at a competitive disadvantage – in spite of assurances given this week by Mr Ghazi al-Rayes, Kuwait's ambassador to Britain that UK companies would not lose out to their US counterparts.

A British trade mission is

Al-Rayes: assurances that Britain will not lose out

due in the next few weeks to fly to Saudia Arabia, where the exiled Kuwaiti government has established its headquarters. The mission has been organised by the British Trade and Industry Department, which estimates Kuwait will have to spend at least £20bn to restore basic amenities such as transport, power, water and sewerage facilities.

US groups, backed strongly by administration officials, have been more aggressive in pursuing this work and are almost certain to project-manage the crucial early stages of reconstruction.

The US Corps of Engineers, a part of the army with strong links with the US private sector, is understood to have been awarded a 90-day contract to manage the initial restoration of essential services.

Bechtel, a big US engineering group, has been granted what amounts to a letter of intent to manage the reconstruction of the oil and gas industry. British engineers say US project managers traditionally prefer to operate with other US companies.

Bechtel, however, has agreed in principle to include the UK subsidiaries of four other groups in its plans to repair Kuwaiti oil and gas facilities. Three are units of US companies: McDermott, Fluor-Daniel and Foster Wheeler. The fourth, TPL, is owned by an Italian company. No British-owned companies have been invited to share in the work.

The strength of US claims to the lion's share of future reconstruction work rests in part on its massive military commitment to the Kuwaiti cause.

Kuwaiti officials have been planning for the recovery of the emirate's territory since September in an initiative dubbed Project Awda (Arabic for "return") and masterminded in its initial stages from Washington and London.

Most London-based forward planning has concerned the oil and gas sector, where Bechtel is to play a crucial role. Awda representatives, many of whom relocated last week to Jeddah, have been reporting direct to the Kuwaiti cabinet-in-exile in Taif, Saudi Arabia.

Efforts have concentrated on preparing a blueprint for the restoration of essential services during the first three months after a reoccupation. This has included ordering a host of basic supplies from mobile generators to sticking plasters.

One of the priorities has been to ensure that basic hospital equipment will be available as quickly as possible, according to Mr Hamad Fawzi al-Sultan, a World Bank executive director. "Nobody will be performing any kidney transplants for a while," he said.

Almost from the start, the assumption has been that Iraqi looting will have denuded Kuwait of all fixtures and fittings and that the state will need restocking almost completely regardless of the extent of bombing damage. As many as 100,000 Kuwait-registered cars are reported to have been taken to Iraq.

"If you go to the Kuwait Petroleum Corporation [KPC] offices in Kuwait City, even the light-bulbs are missing," according to Mr Nader Sultan, president of London-based Kuwait Petroleum International.

Mr Sultan said that his information had been obtained largely from a constant trickle of KPC employees emerging from Kuwait. "Probably half of the oil and gas planning team members were in Kuwait until 10 weeks ago," he said. "We know that we have no additives for our refineries, no spare parts, no spare pumps, no drilling rigs."

Before the outbreak of war, the Middle East was already being seen as a promising market by western construction and engineering groups, not least because of the damage left in the wake of the eight-year Iran-Iraq conflict.

Kuwait is particularly attractive to overseas contractors thanks to the vast hoard of accumulated wealth at the state's disposal. The emirate's foreign assets are conservatively estimated at \$100bn (£50.2bn) with much of the pot handled by the powerful and secretive Kuwait Investment Office (KIO), a London-based fund management body.

British construction companies such as Beazer, Wimpey, Trafalgar House and Taylor Woodrow say the most attractive contracts will be those placed immediately after the war. "It is there that the money will be made," said one UK contractor.

The campaign, according to contractors, has involved Mr John Major, the prime minister, and Mr Douglas Hurd, the foreign secretary, who have expressed their disquiet to the Kuwait and US authorities about the lack of British involvement in reconstruction plans.

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Continued on Page 31

Security Council session may hold debate

By Michael Littlejohns, Correspondent

Doubts in Congress land war

By Lionel Barber

THE GULF WAR

Baghdad scraps import duties

IRAQ yesterday scrapped duties on imports and announced penalties for officials and shopkeepers convicted of profiteering, AP reports from Baghdad.

The measures were unveiled in three decrees signed by President Saddam Hussein and published in Baghdad newspapers.

One decree allows Iraqis to bring whatever goods they want from abroad without paying import duties or adhering to customs regulations. The apparent aim is to encourage trafficking of goods across the Iran-Iraq border to alleviate shortages caused by the United Nations-backed embargo.

The second decree establishes a five-year jail sentence for any government employee caught selling fuel to civilians. The government has suspended fuel sales to civilians, apparently because allied air raids have devastated Iraqi oil production.

The third decree sets a three-year jail term for shopkeepers selling government-subsidised staples for more than the official prices. These items include wheat flour, sugar, cooking oil and tea.

Chinese groups lose $1bn on projects

China's four largest civil engineering companies have lost at least $1bn (£500m) on Gulf projects since war broke out, the official China Daily newspaper said yesterday, Reuter reports from Peking.

The four are China State Construction Engineering, China Road and Bridge Engineering, China International Water and Electricity and China Metallurgical Construction.

The losses stem from defaulted payments from Iraq and Kuwait, lost local bank deposits, abandoned machinery and the cost of evacuations, the newspaper said.

Before war broke out China had an unspecified number of workers in Iraq and Kuwait, mostly on construction projects. All of them were evacuated.

"All four companies are taking a wait-and-see attitude to the Iraq market but deny the possibility that they will give up their business there," the newspaper said.

WATER HIGH ON TALKS AGENDA

Turkey, Syria near agreement on Euphrates

By John Murray Brown in Ankara

WHEN Mr Kurtcebe Alptemocin, the Turkish foreign minister, arrives in Syria today there will be one issue, beyond the war, high on the agenda – water.

For the past 10 years, the Euphrates, which rises in central Turkey, has been the focus of a simmering dispute, centred on Syria and Iraq's insistence on, and Turkey's refusal to agree to, an internationally ratified agreement on sharing the water.

But with both countries now supporting the US-led coalition against Iraq, and with what western diplomats see as the growing personal rapport between President Turgut Ozal and Syrian leader President Hafez al-Assad, there are signs Turkey and Syria are feeling their way towards a new understanding.

Mr James Baker, US secretary of state, last week emphasised the important role water development will play in any post-war reconstruction of the region. And Turkey, controlling both the Euphrates and Tigris rivers, is clearly central to any such plan.

In 1987 Turkey signed a protocol committing it to provide 500 cubic metres a second at the Syrian border, at the same time initialing a border security agreement. The Syrians and Iraqis have long called for 700 cu m/sec.

In Damascus today, Mr Alptemocin will want to dispel any Syrian concerns, after confirmation by his Foreign Ministry on Friday that the flow of the Euphrates had been stopped for six or seven days for "technical reasons".

Central to the whole dispute is the Ataturk dam. Last year, relations with both Baghdad and Damascus deteriorated after Ankara diverted water to fill the dam, which is still only 20 per cent full.

The project will enable Turkey to irrigate more than 800,000 hectares, doubling the cotton crop. But the environmental impact is unknown.

Iraq has already complained about the effect on its fish stocks. There is also concern that the dam will take all the rich silt from the river.

For Turkey, the lack of an international agreement has meant that government donors have refused to support the project – the $6bn (£3bn) financing being raised by the budget.

Hitherto, Turkey has firmly rejected the idea of an internationally sanctioned water agreement. Prof Fahir Armaoglu, an expert on international relations, maintains the Euphrates is not an international water. "Their source is in our soil. They're fed by our climate," he says.

But more than that, Turkish policy on the Euphrates is determined by its own security concerns and what Ankara sees as Syria's backing of Turkey's rebel Marxist Kurdish Workers Party, PKK.

Today some analysts believe a rapprochement is imminent. Turkey's move to lift the ban on Kurdish language was the first real evidence that President Ozal is looking for a political solution to that problem.

Syria, for its part, is keen to secure Turkey's backing for a possible Syrian role in any revival of the CEO, the economic co-operation pact among Turkey, Iran and Pakistan – a legacy of the pro-US Baghdad Pact of the 1950s.

During the current crisis, Turkey has said that it will not use water, one of the Middle East's most precious resources, as a political lever.

Turkey's own proposal is to treat the Euphrates and Tigris as one river basin. "We told them 'Let's pretend the Ottoman empire still exists. Then let's compute our water requirements'," says Mr Ferruh Anik, head of the state irrigation department. "If we all accept that, there will be plenty of water for all three countries."

Monitoring the world's airwaves from Berkshire

Jimmy Burns visits the BBC service at Caversham

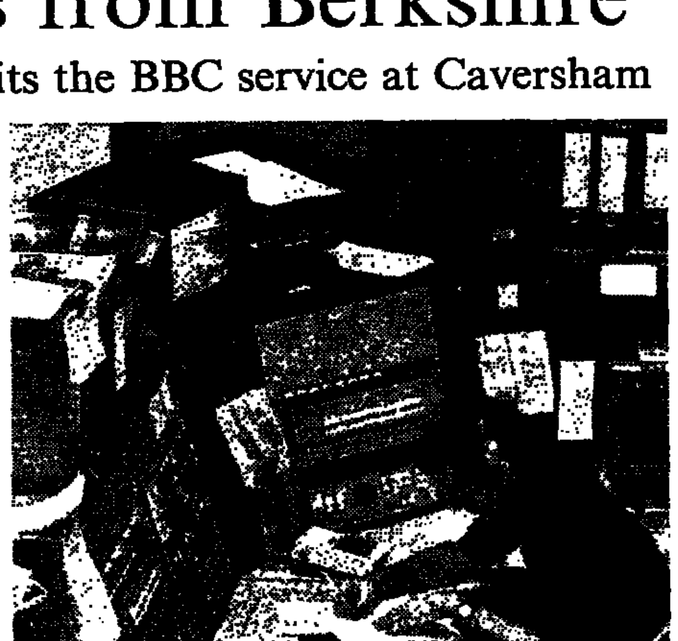
ALLIED field commanders have not been alone in paying particular attention to the cryptic messages broadcast on Baghdad radio with their coded call to arms by pro-Saddam "special forces".

The messages were picked up by a journalist working in an old Georgian mansion near Reading, Berkshire. They were monitored, translated, and beamed around the world for a wider audience to consider their significance.

This is Caversham, a mansion once owned by a distant relative of William the Conqueror and now headquarters of the BBC's monitoring service.

It is an unlikely setting: the graceful pastoral sweep of the main grounds gives way within to drab corridors where the walls are covered in faded paint and lined with exposed pipes.

Only deep within the building, in a converted stable-block known as "the listening room", does one get a sense of the nature of Caversham's operations and the important service it provides.



Tony Andrews

Doron Greenshpan in the listening room at Caversham

In the words of the official handbook, the listening room contains one of the biggest text handling systems in the world: "Three-quarters of a million lines of software, 128 million bytes of memory, nearly 9,000 million characters of disc storage, and the ability to process up to 5,000 items of news and documentation a day."

This means an array of state-of-the-art communications equipment including banks of tape recorders, visual display units, aerials, short-wave receivers and televisions.

A staff of multilingual journalists/translators monitors more than 500 foreign language broadcasts, ranging from brief announcements to speeches lasting more than an hour, from around the world.

The medium- and high-frequency radio signals are picked up by a satellite dish three miles away and passed by landline to Caversham.

Funded by the government, the monitoring service counts among its main customers government departments including the Foreign Office and the Ministry of Defence.

"A journalist out in the field cannot be reporting on the news as it happens, and listening to or monitoring the country's broadcasts. That is where Caversham is useful," says Mr Adam Raphael, a freelance journalist who broadcasts for the BBC from Caversham.

Staff at Caversham, some of whom have worked for the armed services, are adamant they are not involved in espionage. The job of decoding and listening in on secret military messages is left up to the British government's communications centre, GCHQ, and equivalent American listening posts.

According to Ms Linda Eberst, organiser of European and Middle Eastern monitoring, one of the main challenges is the sheer volume of broadcast material that has to be sifted because of the proliferation of local broadcasts.

"Some of the broadcasts might say what the British government doesn't like but it doesn't matter. We report it if its interesting and useful."

Mr Doron Greenshpan, an Israeli formerly employed by El Al Airlines as a security officer, was among those listening intently to Middle East frequencies.

Tuned in to the latest broadcast from Iraq, Mr Greenshpan commented: "There are a lot of metaphors. No straight facts. Sometimes it is important not to take Saddam too seriously. But that's the way things are in the Middle East and we report it."

The tension beneath the surface is demonstrated by the refusal of the Arabs employed at Caversham in the Middle East room to be interviewed. They include two Iraqi exiles who are frightened of recriminations against them by their government.

Working for the 10-strong team of Arabic monitors this week was an Algerian who agreed to comment only if he was not photographed and he was not named. He said "I report things as they happen. There should not be any emotion involved. But some other people might find it difficult."

INTERNATIONAL NEWS

Greece's deficit soars 40% to $3.6bn

By Kerin Hope in Athens

GREECE'S current account deficit soared to $3.6bn in 1990, a 40 per cent increase from the previous year, according to figures issued by the central bank.

The unexpectedly high deficit, which represents over 6 per cent of the country's gross domestic product, upset government hopes that the shortfall could be held close to last year's $2.57bn.

The visible trade gap widened by 34.8 per cent to a record $12.29bn. Exports improved by only 6.1 per cent to $6.36bn, while imports increased 23.4 per cent to $18.65bn as traders stockpiled in fear the drachma would be devalued.

Bank of Greece officials, however, said imports declined in the last quarter of 1990 as the government's austerity policies started to bite. Exports showed some improvement over the same period, though they remain worryingly uncompetitive in European markets.

Increased oil prices resulting from the Gulf crisis added an extra $500m to the import bill. About $300m in European Community inflows for 1990 did not arrive until early in January, wrecking the bank's independent forecast in December of a $3.2bn deficit for the year.

But a sharp rise in invisible earnings brightened the picture, led by a 30 per cent increase in tourism receipts to $2.57bn.

Shipping revenues grew by 29.3 per cent to $1.78bn while other Greeks working abroad sent home $1.82bn, a 30.8 per cent increase.

A surge of 60.2 per cent in private capital inflows, which reached $2.77bn for 1990, indicated a recovery of confidence following the conservatives' return to power last April after almost a year of weak coalition rule, despite the country's pressing structural problems.

Foreign exchange reserves totalled $4.29bn at the end of December, the central bank report said.

'Albania coup' fears dismissed

ALBANIA'S Defence Minister, Mr Kico Mustaqi, yesterday dismissed rumours the army was planning a coup before the country's first democratic elections next month, Reuter reports from Vienna.

"These concoctions are a product of diseased or haughty minds, thirsty for power," he told the official ATA news agency. But Mr Sali Berisha, one of the founders of the fledgling Democratic Party, said weekend clashes between would-be emigrants and police in the port of Durres were sparked by "efforts to destabilise the political situation".

Rumours were circulating that a military coup was imminent, and growing tension in the country led people to believe them, Mr Berisha said.

Mr Mustaqi said the Gulf war and the turbulent situation in nearby countries were reasons behind the army's enhanced combat-readiness.

Several thousand people converged on Durres from all over the country after rumours that Albanians would be allowed to board an Italy-bound ferry without visas.

When this turned out to be false, the disappointed emigrants clashed with police.

"In my opinion there's a force behind these rumours, because this is a rumour made to destabilise the political situation," Mr Berisha said by telephone in Tirana. "There's a strategy of tension here which wants to limit the democratisation process by any means."

In Durres, a number of shops were looted and set alight, including a bookshop displaying works by former Communist leader Enver Hoxha and current President Ramiz Alia.

The news agency reported that 42 people were arrested, and 35 police and two protesters were wounded. Mr Berisha said there were far more protesters hurt but it was impossible to give an exact number as many had gone into hiding.

The clashes were the first major disturbance in Albania since pro-democracy riots in several towns last November were put down by the army.

The riots followed the decision by Mr Alia to allow independent political parties and multi-party elections for the first time in the country's history, overshadowed by 40 years of Stalinist rule.

Mr Alia's government has given in to a number of demands put forward by the newly-formed opposition, most recently by promising earlier this week to take the army, police and courts out of communist control after elections on March 31.

Lithuania in peril of economic disaster

By Leyla Boulton in Vilnius

WHILE Lithuanians bask in the euphoria of their resounding vote for independence, the republic's economy is languishing like a poor relative in serious need of attention.

Although the three Baltic republics still enjoy a far higher standard of living than the rest of the Soviet Union, Lithuania is in danger of becoming an economic disaster area unless it presses ahead with reforms.

From January 1, it became the first Soviet republic to cut itself off from the all-Union budget. But putting off retail price rises to compensate for increased wholesale and state purchase prices is costing the republic Rbs7m (£7m) a day in food subsidies alone.

The delay also means that Lithuania cannot set a 1991 budget until new levels are set for prices in state shops.

In contrast, neighbouring Estonia managed to triple food prices last year and has gone further in developing plans for a market economy than any other Soviet republic.

Lithuania has cut contributions to the central budget but offered to shoulder its share of the Soviet Union's foreign debt.

"While we made declarations and fought, the Estonians achieved more in economic terms to become less dependent on the Soviet Union," Lithuania's deputy economics minister admitted.

President Landsbergis seeking "an equal partnership"

A domestic but deeply unpopular attempt to raise prices at the beginning of January cost Mrs Kazimiera Prunskiene her job as prime minister and was used as a trigger for a half-baked coup by pro-Soviet forces.

As a result, the government is particularly anxious to make price rises as painless as possible when it discusses compensation measures for consumers over the next few days.

The economics minister said he believed that both price rises and the budget would be agreed by the end of March.

For the time being, the government is funding schools, hospitals and other expenditure by running them at the same level as last year. Despite a series of trade agreements with individual Soviet republics, Lithuania's lack of an economic settlement with Moscow remains a big problem.

Partly as a result of the Soviet Union's general economic chaos, Lithuanian farms and factories face shortages of raw materials, grain and industrial components. But Lithuania's bad relations with the Soviet government complicate those with centrally-controlled suppliers.

Although it is not in Moscow's interest to cut supplies – this would hurt deliveries of food and consumer goods from Lithuania – it may choose to apply economic pressure for political reasons. Uncertainty over the republic's links with the centre is also hampering efforts to attract foreign investment.

Acknowledging that the Lithuanian economy was closely tied to the Soviet Union, President Vytautas Landsbergis said on Saturday he wanted a deal with Moscow on the basis of "an equal partnership".

But the republic's pro-independence vote on Saturday is only likely to delay further the start of any talks. Lithuania's plan to print its own currency will remain nothing more than an eloquent expression of its quest for independence.

Those who are campaigning to keep Lithuania Soviet are already switching to economic arguments. Mr Valeri Ivanov, co-chairman of the Communist-backed Yedinstvo (Unity) organisation, said enterprises were heading for bankruptcy and independence was meaningless.

"The republic cannot become an independent state in the world community. All it will do is become a vassal of America, West Germany, France or England," he said.

Mr Ivanov's worst fears could not be more attractive to the Lithuanians, who voted at the weekend in favour of restoring their pre-war independence.

Norway urged to take a stand on EC membership

By Karen Fossli in Oslo

MRS GRO Harlem Brundtland, Norway's Labour party prime minister, yesterday warned that membership of the European Community may be on the agenda at next month's party conference.

Mrs Brundtland was speaking to Labour party delegates at a regional party meeting in Trondheim. On Thursday she had warned that the country would have to take a stand on EC membership if the Storting (parliament) rejected the 18-nation European Economic Agreement (EEA) being negotiated with EC member states.

The object of an EEA treaty is to extend as far as possible to the European Free Trade Association (Efta) – of which Norway is a member – the Community's single market freedoms of capital, goods, services and people.

However, the tiny, anti-EC Centre party, as well as members of her own Labour party, have mounted an intense campaign against the EEA in favour of renegotiating the free trade agreement established with the EC in 1973. The EEA agreement led to the demise of the previous centre-right coalition after the Centre party had insisted on exemptions to protect Norwegian interests.

Renewed negotiations are due to be complete in May or June, but Mrs Brundtland is finding it increasingly difficult to rally parliamentary support. A poll published in a major Norwegian newspaper yesterday showed that, while 80 per cent of Norwegians believe the country will be an EC member by the year 2,000, only 39 per cent support membership, against 46 per cent who do not.

Milan stock exchange traders to stage strike

FLOOR traders on the Milan Stock Exchange say they intend to begin a strike on Friday to protest against a capital gains tax, AP reports from Milan.

The traders halted trading several days last autumn to protest implementation of the capital gains tax.

The controversial law has seriously hurt business on the Milan exchange. Volume has dropped off by about 50 per cent of normal, to around L60bn ($55m) a day. Two small stock brokerage firms have announced they will close their Milan offices because of a lack of business.

Mr Rino Formica, Finance Minister, introduced a capital gains tax in September as part of the government-s 1991 budget package. The measure raised a storm of protest by investors, stockbrokers and traders due to the 25 per cent levy on any net gains to be filed through the investor's annual income taxes.

Critics complain the tax rate is considered too high in comparison the 12.5 per cent withholding tax on government securities.

The tax is not popular because Italian investors, for the first time, have to declare their equity portfolio to the tax authorities, losing their treasured anonymity.

In their announcement of the strike, traders did not say how long it might last. With traders blocking activity for a third time in five months, analysts feel the action will damage the bourse's image for a long time to come, likely moving even more business to the SEAQ electronic trading system in London where a dozen Italian stocks are quoted.

A Trabant car passes a snow covered IL-76 in front of the Interflug headquarters in Berlin at the weekend

Interflug suffers new blow to survival

By Andrew Fisher in Frankfurt

INTERFLUG, the east German airline whose fate has been the subject of controversy for the past year, yesterday received a second blow to its survival hopes when Lufthansa said it was no longer interested in taking it over.

Lufthansa, the German national carrier 51 per cent state-owned, said its own trading problems in the wake of the Gulf war meant it was no longer in a position to buy into Interflug. Lufthansa has stopped hiring, cancelled flights, and wants to slash costs.

This statement followed that of the Treuhand, the body charged with selling or closing east German companies, on Friday, saying it no longer saw any chance of privatising Interflug.

Nearly 3,000 pilots, stewardesses, and ground staff stand to lose their jobs as a result of Interflug's probable closure.

The airline said it would work out a timetable for closure on February 20 unless some last-minute move saves it.

Treuhand's ultimatum comes when much east German industry is struggling to adjust to the free market. Lufthansa argued it has been blocked continually in its attempts to buy into Interflug. Industry officials said Interflug could have been bought for about DM150m (£51.5m) a year ago.

Since the former East German regime collapsed and the drive to unity got under way, Interflug's future has been debated as a business and political issue.

Lufthansa initially put in a bid to buy 26 per cent of Interflug, but this was opposed by the Federal Cartel Office, which wanted to promote competition. British Airways showed interest in buying a big minority stake, but was put off by the scale of the likely investment. BA has also claimed it did not obtain the financial information needed.

Yesterday, Lufthansa said it told the Treuhand a week ago that it was no longer interested in Interflug. It claimed it had had no proper negotiations with the Treuhand and had seen no opening D-Mark balance sheet.

At this stage, it would not have bought the airline outright anyway, but first assessed its financial position and scope for recovery before making any financial commitments.

Interflug accused the Treuhand of contributing to the airline's problems by moving too slowly. Mr Andreas Kramer, general manager, said Interflug lost some DM50m in the second half of 1990. The Treuhand rejected the criticism and said it had spoken with a number of interested parties.

Germany's powerful IG Metall engineering union said yesterday that German companies should pay a levy on their profits to finance the costly rebuilding of east Germany, Reuter reports from Frankfurt.

A similar levy helped finance reconstruction after the Second World War, the union's chairman, Mr Franz Steinkühler, said on German radio.

Mr Steinkühler also said IG Metall would strongly oppose any rise in value-added tax to cover the cost of German unification.

IG Metall is seeking a wage rise of around 10 per cent for West German workers in this year's wage negotiations. The industry employers' association has said it is looking for a settlement of less than 6 per cent.

هكذا من الأجل

Australian bank reveals loss

By Kevin Brown in Sydney

AUSTRALIA'S debt-burdened banking system received another blow yesterday when the State Bank of South Australia (SBSA) revealed a loss of nearly A$1bn (£400m) and warned that non-performing loans could amount to a further A$2.5bn.

The announcement brings the total written off by state-owned regional banks to nearly A$3bn, largely as a result of aggressive lending after the deregulation of Australian banking in 1984.

Also, the four main trading banks have written off about A$3bn as a result of bad debts incurred during the same period, and have declared non-performing loans of more than A$11bn.

The losses do not threaten the stability of the banking system, which continues to meet the prudential requirements of the Reserve Bank. However, they are likely to increase the pace of rationalisation in the industry.

Mr John Bannon, South Australian premier, said the government was unaware of the scale of the SBSA's problems until the bank asked for financial help two weeks ago after receiving a report from J.P. Morgan, the US bank.

Mr Bannon announced a rescue package totalling A$970m, financed by the transfer to the bank of housing mortgages from the government's home lending scheme.

The state government said it would be "impractical" to sell the bank because of the difficulty of finding a buyer in the current depressed environment. However, the State Bank of Victoria was recently sold to the federally-owned Commonwealth Bank for A$1.6bn after the Labor state government decided it could not fund losses of A$1.6bn.

The three quoted trading banks – Westpac, ANZ and National Australia Bank – also considered bidding for the SBV, although only Westpac and Commonwealth submitted serious offers.

The Rural and Industries Bank, owned by the Government of Western Australia, is also seen as a target after a loss of A$180m last year, but the Tasmanian government is unlikely to consider selling its state bank, which lost A$11m last year.

● New Zealand's governing National Party is to continue the asset sale policy of the previous Labour government, with the Bank of New Zealand one of the most important assets to be sold, writes Dai Hayward in Wellington.

Other assets on the sales list include Electric Corp, which produces and distributes the country's electricity, and Land Corp, which embraces government land holdings.

However, the government's 63 per cent stake in BNZ will not be sold immediately. Mr Doug Kidd, state-owned enterprises minister, said it would be sold when the condition of the business and the market was right.

Last year, the government injected funds to help BNZ cope with bad debts incurred after the 1987 market crash. On New Zealand markets, there were signs of buoyancy with interest rates falling, the share market surging and predictions of further drops in the inflation rate.

S Korean labour activists detained

POLICE detained 69 labour activists meeting yesterday to consider support for strikers at South Korea's second largest shipyard, Yonhap News Agency said, Reuter reports from Seoul.

A coalition of trade unions met to discuss backing thousands of workers in the Daewoo Shipbuilding and Heavy Machinery Company, who began the strike for higher pay and better working conditions on Friday. About 1,000 workers kept a vigil behind barricades set up at the shipyard on Koje Island, off the south-eastern coast, in case police tried to raid the yard as the strike continued.

Asylum for Kurds

Seven Kurdish refugees from the war in the Gulf were granted political asylum in South Africa, the foreign ministry said, Reuter reports from Cape Town.

They arrived on a Panama-registered ship which stopped at the Atlantic harbour of Port Elizabeth, officials said. The men said they had travelled from northern Iraq to the port of Bandar Abbas in December to escape the war.

China hunger strike

One of four alleged leaders of China's 1989 pro-democracy demonstrations, who could be due to stand trial today has begun a hunger strike to demand more time to prepare his defence, friends said, Reuter reports from Peking.

Chen Ziming, 37, has been charged with plotting to overthrow the government, they said. If convicted, he faces a minimum of 10 years in prison or the death sentence.

Aid for Manila

The US said yesterday it would be able to help the Philippines better economically if given more time to trim its military presence in the country. Reuter reports from Manila.

Mr Richard Armitage, chief US negotiator in the bilateral talks, added that the US could fight any aggression and prevail without a single US soldier on Philippine soil. The US lease on Clark Air Base, Subic naval dockyard and four smaller installations expires in September.

Mozambique hopes

A ceasefire has held for five weeks on Mozambique's two main transport routes, and hopes are rising for a full peace pact to end 15 years of civil war, Reuter reports from Chimoio, Mozambique.

But prospects of a lasting peace could be dashed by unrest among thousands of hungry refugees, as drought grips one of the world's poorest countries.

Tamil arson

Tamil guerrillas set fire to 10 houses in their third attack on a majority Sinhalese village in eastern Sri Lanka, residents said yesterday, Reuter reports from Colombo.

Residents of Damminna village in Polonnaruwa district were unhurt, fleeing to a nearby army guardpoint as the rebels approached. It was the third rebel attack on Damminna, residents said. Military officials in Colombo said they received no report of the attack. Other sources said the Liberation Tigers of Tamil Eelam guerrilla group, fighting for a separate state for Tamils, was probably responsible.

Arms for Burma

Burma has agreed to buy arms worth $900m from China, one of the few countries to maintain close ties with Rangoon's army government, , Reuter reports from Bangkok.

Diplomats said the two countries signed a long-term deal late last year for equipment ranging from jet fighters to small arms. Burma would repay at least half the debt in rice and wood.

Workers in the control centre of the Mihama nuclear power plant, at Fukui in Japan, closed down one of its three reactors on Saturday night after abnormal radioactivity readings had been registered in the cooling system. Nearby monitors yesterday showed no sign of radiation leakage outside the plant, which is located 220 miles west of Tokyo

Difficulty in defining a European legal eagle

Robert Rice examines prospects for lawyers in the Community after 1992

THE Single European Market has its origins firmly rooted in law. It is ironic, then, that lawyers are making heavy weather of establishing a true single market for their own profession.

Indeed, developments have sometimes appeared to be going into reverse. France, for example, has just adopted a law ostensibly designed to unify its profession but one which, in effect, creates a monopoly on the provision of all legal services in the country for members of the French profession.

From January 1 1992, qualified lawyers from other EC member states will be banned from practising in France unless they become members of the French profession.

The legislation also prohibits foreign law firms from establishing branch offices in France.

The one concession to lawyers' existing rights of establishment under the Treaty of Rome is that foreign lawyers established in France by the end of this year will be automatically admitted to the French profession.

That may soften the law's practical effect. Even so, France's action underlines the disunity among member states and the conflicting interests of international law firms, which want to be free to work for their multinational clients wherever they are needed, and local lawyers' trades unions, or bar associations, which aim to protect their members from competition.

Luxembourg has an almost identical draft law. Greece has long operated a similar monopoly in favour of its legal profession. There are also partial monopolies for local lawyers in respect of court appearances and notarial activities, such as granting of probate and land transactions, in Germany, Spain and Portugal.

On the more positive side, Germany, whose legal profession has traditionally been among the most restricted in Europe, has made enormous strides of late to liberalise and open its market to foreign lawyers. Furthermore – in Ireland, Belgium, Italy, Britain, the Netherlands and Denmark – there is no monopoly on the giving of legal advice.

Regarding these divergent attitudes, can a true single market for legal services ever be achieved? The Treaty of Rome gives lawyers rights to move across national boundaries, either to provide services on an occasional basis or to establish a branch office. Much, however, depends on the definition of a "lawyer" under Community law.

In most EC states, legal services are provided by several different professions; in many, legal work is divided between advocates and notaries, who handle transfer of property and succession on death.

Notaries are not "lawyers" for the purposes of EC law and are exempt from treaty provisions governing rights of freedom of goods and services. Thus a free market in legal services relating to land transfer and probate work is unlikely to develop.

Treaty rights of establishment for "lawyers" were underlined by the 1977 Services Directive. This provides that a "lawyer" from one member state is allowed, on an occasional basis, to give legal advice and do advocacy work in the courts of another member state, subject to any local rules requiring him or her to work with a local lawyer who has the right to appear as an advocate before the court concerned.

Such rules vary across the EC. Existing national restrictions, which are justified on grounds of "public interest", are likely to remain long after 1992, preventing the development of a completely free market in court work.

In all other areas, though, a free market should be attainable in principle. For many lawyers, the final brick in the wall is the EC's 1988 directive on the mutual recognition of higher education diplomas, which aims to enable professionals qualified in one member state to practise more freely in others. Lawyers wishing to join another EC country's profession will simply have to pass an aptitude test or do a period of supervised practice so as to satisfy any deficiency in knowledge.

The diplomas directive is seen by many as the answer to all problems relating to cross-border legal practice in the EC. The French clearly think so. If foreign lawyers can join the French profession simply by passing an aptitude test, they say, where is the harm in a law which gives its members a monopoly on legal advice in France?

UK and US lawyers say, however, that the new French law tramples on their existing rights to practise in other states. It turns a right to join the French profession into an obligation to do so.

According to Mr Alan Ground, a senior partner with Linklaters & Paines, a large London firm of solicitors, if other member states adopted the French approach, lawyers wanting to practise throughout the EC, in areas in which they already had expertise, would have to become members of at least 11 other national professions, with different professional rules, examinations and languages.

Mr Ground, whose firm has had a Paris office since 1972, believes the European Commission should challenge the French law immediately. However, Brussels is expected to take no action before the French law comes into force.

Others believe the French law will have very little impact. Mr Steven Volk, the senior partner of US law firm Shearman & Sterling, which has had an office in Paris since the 1970s, says much will depend on the the nature of the aptitude test. Early indications are that it will not be a full exam in French law or language, he says.

Even so, France's defensive response is in striking contrast with trends in Germany, which last year passed legislation to abolish restrictions on the right of establishment for all foreign lawyers.

Pressure for change came from German lawyers, not from their national authorities, which have shown reluctance to embrace 1992. The German profession recognised some time ago that, to take advantage of the opportunities offered by the single market, it had to open the German market for other EC lawyers wanting to practise there.

Yet, despite these encouraging signs from Germany and the absence of any monopoly for local lawyers in six of the 12 member states, a true single market in legal services still looks some way off.

Rights report on military delivered to Aylwin

By Leslie Crawford in Santiago

PRESIDENT Patricio Aylwin of Chile has received a report documenting human rights abuses during the military dictatorship of 1973-1990.

He says the 1,700-page report will be published early next month after consultations with political parties, families of the victims, religious leaders and the commanders-in-chief of the armed forces, including General Augusto Pinochet, president throughout the period and still head of the army.

The report was compiled by a presidential committee of eight lawyers and academics. It heard more than 4,000 testimonies and travelled the length of the country. Much of the report will be based on the extensive archives of the Catholic Church's Vicarate of Solidarity and on documents from other human rights organisations in Chile. It will also contain the names of military personnel who died in left-wing guerrilla attacks.

The report is expected to be the government's final word on Chile's bitter human rights legacy. It will contain the names of the victims and the circumstances in which they died or disappeared. It will not contain the names of torturers or executioners.

Some human rights groups have criticised the civilian government for this glaring ommission. They argue that there can be no national catharsis unless the guilty parties are brought to justice. However, Mr Aylwin said from the start that his National Commission for Truth and Reconciliation would not be a tribunal.

The government says it would be putting Chile's 11-month-old democracy at risk if the president were to initiate mass human rights trials. "Chile would not cope with having 2,000 military officers in jail," one government official said recently.

Gen Pinochet warned before he quit the presidency last March that the moment one of his men was touched, "the rule of law is over". The threat remains powerful.

Fire attack on opposition newspaper in El Salvador

By Tim Coone in Managua

THE OFFICES of El Salvador's oldest and most influential newspaper, El Latino, were badly damaged in an arson attack at the weekend.

No-one has admitted carrying out the attack, but the journalists' collective that manages the daily blamed extreme right-wing elements in the government and armed forces.

Standing in the smouldering rubble of the building, Mr Francisco Valencia, the newspaper's director, said: "This is the democracy of [President] Alfredo Cristiani's government."

The attack on the newspaper's offices came exactly a month before national elections for the National Assembly and municipalities throughout the country. El Latino celebrated its 100th anniversary last November, and has a long history of critical opposition to authoritarian governments in El Salvador. Its editors and staff have frequently been the targets of anonymous threats.

The newspaper has been suffering a financial crisis in recent years, due to the refusal of government and private sector organisations to advertise in it.

It is largely maintained by support from trade unions, human rights organisations, the church and universities.

Despite its limited circulation (about 10,000 copies) it is widely considered to be El Salvador's most influential newspaper. It was the first, indeed only, newspaper in the country to have opened its pages to opinions from the full political spectrum.

It has recently been highly critical of the armed forces for their alleged involvement in a massacre this year of 15 peasant farmers close to the capital, San Salvador.

Its editorial line identifies with a broad-based civilian movement in opposition to the right-wing government of Mr Cristiani, but it has also been critical of the FMLN left-wing guerrillas fighting to take power in El Salvador.

Another death as S African blacks clash

ONE man was killed as supporters of rival black groups fought with spears, knives and guns in the troubled South African township of Bekkersdal, police said yesterday, AP reports from Johannesburg.

The clashes occurred just days after black leaders had held a rally for peace in the township.

Two more people died in Natal province, where the African National Congress and Inkatha Freedom Party approved a ceasefire agreement last month, according to a police unrest report covering the preceding 24 hours.

The report said one Inkatha supporter was killed at Bekkersdal, near Johannesburg, and several people were injured.

It did not say who started the fighting.

The report gave no details on the Natal incidents, saying only that two men were killed.

At least 14 people have died in Bekkersdal unrest during the past two weeks. Leaders of the ANC, Inkatha, and the militant Pan-Africanist Congress and Azanian People's Organisation held a rally there last week and urged their followers to stop fighting one another.

● More than 11,000 people were arrested in South Africa over the weekend for crimes ranging from murder to cattle theft, police said.

Police said they seized items including two carats of uncut diamonds, 110 stolen cars and 60,816 litres of illicit alcohol.

The ANC said the arrests seemed to be aimed "more at publicity than actual crime prevention".

It demanded statistics on racial lines of those held.

"We are keenly awaiting a racial breakdown of those arrested so we can see where the concentration of the operation was directed," said Mr Saki Macozoma for the ANC.

About 30,000 members of the police and defence forces fanned out across the country in a sweep at the weekend.

Police said they arrested 11,361 people – including 43 for murder, 92 for robbery, and 42 for rape or attempted rape.

Somalia fighting renewed

MORE fighting was reported between two heavily-armed Somali factions near the capital, Mogadishu, renewing the civil war that had abated in recent days after former President Mohamed Siad Barre fled late last month, Reuter reports from Mogadishu.

About 110 people died in recent fighting between the Somali Patriotic Movement (SPM) and the United Somali Congress (USC), which has been in control of the capital since Mr Siad Barre left, the Sunday Standard in Kenya reported yesterday.

The SPM was preparing an offensive on the capital, to be launched within the next few days, the report from Afgoi, 30km west of the Somali capital, said.

Mortar and artillery fire was exchanged on Saturday.

Last August, the SPM and the USC, with the Somali National Movement, formed a loose alliance to topple Mr Siad Barre.

However, splits in the alliance and within the USC have been increasingly evident.

SPM representatives in Nairobi were not immediately available for comment on the report.

A spokesman for the international medical charity Médecins sans Frontières, in contact with Mogadishu, said his latest information was that the city was quiet.

Venezuela telecoms move

By Joe Mann in Caracas

THE Venezuelan government has asked international telecommunications companies to supply background data as a step towards privatisation of the state-owned telephone monopoly, CANTV.

Venezuelan officials will use these data to evaluate potential bidders for a contract to operate Venezuela's telecommunications system, and later for the sale of a majority of CANTV shares.

Companies applying for prequalification must have annual revenues of at least $5bn (£2.5bn), according to announcements in the Venezuelan press.

Candidates are to provide the required information by March 6 to the Ministry of Transportation and Communications in Caracas.

The government wants a private sector operator to install about 300,000 new telephone lines and invest $800m a year.

It is also granting concessions and permits for private companies to operate a cellular telephone network and other businesses, which have been monopolised by CANTV.

The entity is one of the largest and least efficient of Venezuela's government-owned enterprises. CANTV has some 20,000 employees.

Indian census puts emphasis on women's role

Approximately 1.5m census takers fanned out over India this weekend, visiting shacks and mansions to find out just how big the population explosion is in the world's second most heavily populated nation, Reuter reports from New Delhi.

The army of enumerators will seek out every home in a country the size of Western Europe over the next three weeks, with a special brief to try to coax the truth from Indians about how many women and children work.

"I think this could very well be the greatest administrative exercise in the world," said Mr A.R. Nanda, India's Registrar General and Census Commissioner. He estimated that the census would reveal a population of 860m to 865m.

The enumerators' task of finding out the age, geographic origins, schooling and work of every Indian for the 10-yearly census is not easy.

This time they have the sensitive job of questioning women intensively, trying to uncover the real facts about how many people in each family earn money. Social workers say 55m children under the age of 14 work in India, including 10m bonded into servitude.

They also say India has a vast army of unpaid or poorly paid women workers, whose labour outside the home goes unrecorded for fear of social stigma or simply because it is not valued.

"Women must come out and explain what work they do, even if it's unpaid work on the family farm," Mr Nanda said.

With barely four Indians in 10 able to read and write, the enumerators have no choice but to visit every hovel, tent, or collection of mud and sticks which has a roof and people sleeping inside.

The questions will be put in India's 103 different written languages and several hundred dialects.

"The literacy rate is not high enough to permit a mailing system such as in the United States," Mr Nanda said. "All houses all over India have been located. This was completed last year," he said.

The census will inevitably be out of date before it is completed. A recent World Bank report said India adds as many people each year as live in Nepal or Australia.

Mr Nanda said India's population grew at a rate of between 2 and 2.5 per cent in the 1980s. The birth rate is currently around 30 per thousand, compared with a target of 24.

That translates into one extra mouth every two seconds and it means India will overtake China in the next 50 years as the most populous nation on earth.

India is already twice as densely populated as China, putting intolerable pressure on the environment, cities and services like water and electricity.

But by Nanda's definition the homeless – those who sleep on pavements, railway platforms, underneath highway overpasses or inside construction piping – number only about 600,000.

They will be counted on the last night of the census. "We have special teams that for three weeks try to figure out where these people are settling down for the night," Mr Nanda said.

The census takers will ride camels across deserts, drive oxcarts between villages, paddle canoes through rain forests, and trudge along the snowline to get to some homes.

In the Onges tribal area in the Andaman and Nicobar islands, they will lay out food and cigarettes, plant the Indian flag, and retire. The counting begins when the tribe, thought to have dwindled to around 100, comes out to eat and smoke, and mollified by the gifts, are well-disposed toward the census takers.

The census is supposed to be a snapshot of who is in India between February 9 to 28. So all foreign tourists will be counted – even if they are making a pilgrimage to one of India's many Hindu, Buddhist and Moslem shrines.

Rising convergence seen in house finance systems

By David Barchard

HOUSING FINANCE systems in the UK, North America, continental Europe and Japan may be growing more alike, the Bank of England says in a report *published* today.

The causes of the trend appear to include competition in national markets and improved technology, along *with financial deregulation.*

As a result, housing finance systems in many countries show an increasing number of common features. They *include:*

- Intensified competition;
- A decline in the rationing of housing finance credit;
- An increase in the range of institutions in the market;
- The development of mortgage securitisation, the system *of packaging* a *number of mort*gages together for sale in the securities market, so that lenders can *take them off their bal*ance sheets.

The US has the largest mortgage securitisation market but it is being followed by the UK, France and Spain.

Countries with tightly regu*lated housing finance systems,* such as Germany, may face the greatest number of changes after 1993 as the completion of the single European market *inside* the European Community accelerates the pace of convergence.

Barriers to entry into housing market are diminishing. *New lenders can obtain their* funding through the wholesale markets and securitisation, while loans can be marketed through intermediaries such as insurance companies or estate agencies, or even sold by post. The need for branch networks has been reduced.

Legal restrictions on entering the market are also being eroded, as are geographical restrictions that have obliged *lenders to stay within particu*lar areas. Geographical limits were lifted for Spanish banks in 1988.

Although existing restrictions are being lifted in many countries, the US thrift crisis – in which savings and loans institutions went bankrupt with debts totalling between *£150bn and £200bn – may* have made authorities in other countries more hesitant about liberalisation.

The freeing of financial *systems has led to higher lev*els of household debt. Personal-sector saving ratios fell from 11.6 per cent in the UK in 1982 to 5.0 per cent in 1989, and *from 9.3 per cent to 7.4* per cent in the US.

In Germany, personal-sector saving barely changed, while in Japan it rose from 13.7 per cent to 14.4 per cent in the same period.

In the same years, UK mortgage debt climbed from 32.1 per cent of gross domestic product to 58.3 per, while in Germany it was virtually unchanged close to the 22 per *cent* level.

Nevertheless, the Bank of England says: "The frequently *supposed distinctness of* the UK housing finance system should not be exaggerated."

Housing Finance – an International Perspective. By John Lomax. Economic Division of the Bank of England.

Personal savings move back to surplus after record deficit

By David Lascelles, Banking Editor

PRIVATE INDIVIDUALS in the UK have become savers again *and the corporate sector may* at last be reducing its deficit.

The latest figures on financial balances in the Bank of England's quarterly bulletin, being released ahead of time today, show that the personal sector moved from a record *deficit in 1988 to a surplus in* the first three quarters of last year.

The Bank says *that the* savings ratio improved because the stagnation of the housing market discouraged people from spending on consumption, while their real incomes were still rising.

Although individuals were still using the equity in their homes to finance investments, high interest rates damped down borrowing and produced a better financial balance.

The growth in borrowing for consumption fell from its peak of 23 per cent in the third quarter of 1988 to 8.9 per cent in the third quarter of last year.

However, the Bank warns that there are signs of a resurgence in private-sector borrowing – possibly for distress reasons – that might cause the financial position of the personal sector to deteriorate again.

By contrast, the financial deficit of the corporate sector has continued to widen. Even though there was a drop in capital spending, that was more than offset by a decline in income and by rising interest payments.

The financial deficit, which reached £22.2bn in 1989, stood at £22.4bn after nine months of last year.

Bank borrowing by the corporate sector declined last year, although there were *signs of a resurgence in the* fourth quarter that "may suggest that the banks are to a degree supporting companies facing cash flow problems", the Bank says.

The Bank says that those trends are mirrored by an erosion *in the public-sector* surplus and a modest improvement in the current account. The trends continued in the final quarter, suggesting that the private sector is continuing to readjust its financial position.

"In particular," the Bank says, "this may indicate that the corporate sector is at last beginning to reduce its deficit."

Exports of woollens fall 12.5% to £588m

By Alice Rawsthorn

EXPORTS BY the wool textile industry fell by 12.5 per cent *to £588.7m last year.* The industry has traditionally been one of Britain's most successful export sectors.

Mr John Ward, chairman of the National Wool Textile Export Corporation in Bradford, identified the strong pound and the uncertainty caused by the Gulf crisis as the chief causes of the fall.

The decline in export sales comes at a sensitive time for *the wool textile companies.* They are already struggling against a downturn in demand in the domestic market and against financial pressures imposed by high interest rates.

The wool industry is still based in the traditional wool *towns of the Yorkshire area* and the Scottish Borders. After suffering severely in the last economic recession of the early 1980s, it pursued a strategy of upgrading its merchandise in order to boost exports.

Japan has since emerged as an important growth market for the industry, since Japanese clients are prepared to *pay high prices for traditional* lengths of cloth to use as corporate gifts.

The industry has also increased sales to continental Europe. However, the Middle East, which has unsurprisingly been badly affected by *the Gulf crisis, is still* an important market.

The latest figures from the corporation show that the value of wool textile exports fell by £12.2m, or by nearly 25 per cent, to £36.7m in December, thereby contributing to *the overall shortfall of £84.2m* for the full year.

Last week, the Apparel Knitting and Textiles Alliance (AKT), the trade organisation covering the whole textile industry, issued a warning to the government that the rate *of textile job losses was cur*rently running at more than 25,000 a year.

AKT said the rate of job losses would rise further unless the government took action to reduce interest rates.

Middlemen of power find their sales dexterity tested

Juliet Sychrava on the risks of a restructured industry

BY *THE END* of next month, it will become clear how skilful the 12 regional electric companies of England and Wales are at managing their risky electricity supply business – buying electricity from the generators and selling it on to customers.

When the new electricity *industry was set up six months* ago, large consumers mainly signed contracts with their local electricity company. At the end of March, however, *their contracts expire* and they can choose their electricity supplier. Highly price-sensitive, they are already shopping around.

The regional companies must sign the contracts with the generators which allow them to go on and sell to their big industrial customers.

Many regional companies *would like to keep their large* customers, perhaps even to win new ones. Although they make very little money by doing so – margins are about 0.5 per cent – they value the contact with industrial customers which may enable them to sell *additional* services.

To do so, they need to arrange contracts to buy electricity from Nuclear Electric, National Power, or PowerGen. Otherwise, they will have to buy from the pool or spot market, where prices are unpredictable and any miscalculation may threaten their tiny margins.

So far, very few regional companies have signed new contracts for the coming year – partly because there is little on offer. Nuclear Electric is the only generator that did not sign away most of its capacity in three-year contracts when the industry was set up, and the regional companies have almost all balked at the price Nuclear Electric put on its contracts.

Another thorn in the regional companies' flesh is the fact that while they try to buy power from the other two generators to supply their big customers, the generators themselves are approaching those customers directly, *cutting* out the regional middleman.

Alan Harper

Prof Stephen Littlechild: curbing generators' ambitions

It is a testing time for the regional companies as they try to match their diverse portfolio of contracts to buy electricity, with their diverse portfolio of contracts to sell.

They may end up paying for electricity they cannot sell, or selling electricity for which they have no purchase contracts.

The regulatory framework, moreover, means that if a company gets its calculations wrong, it must carry the cost, but if it gets them right, it must pass any profit on to the customer.

It is hardly surprising, then, *that* some *regional* companies have decided to concentrate on their safer distribution business.

Some, such as Mr John Roberts, *managing director of* Manweb, the regional company *based near Chester, believe* that "if you run a supermarket, it doesn't matter if you sell own-brand products, or other people's, as long as your shop is full of customers."

Others, such as Mr Jim Keohane, director of energy contracts at *East Midlands* Electricity, based in Nottingham, claim: "You don't want to be simply a haulage company. If you're in the potato business, *and you're just delivering* the potatoes, when something goes wrong with the potato market, you'll be the last to know."

Yorkshire and Eastern have nailed their colours to the supply mast, while Norweb has said that it believes it is not *essential to do so.*

Nearly all the regional companies believe that the generators' attack on the large-customer market is dangerous. *Before long,* they argue, the generators may be the sole suppliers of electricity to that market, giving a vertically integrated electricity industry.

So *much for the competition* that privatisation was designed to foster.

Professor Stephen Littlechild, the electricity regulator, recently came down on their side, refusing to allow the generators to compete for more than their present share of the industrial customer market - between 7.5 and 12.5 per cent, depending on the region.

As the generators control the sale of contracts, which provide the price stability all customers need, they are *still* in a strong position to influence the price of electricity.

Large customers do, however, have considerable clout. Many have secured competitively priced contracts with the generators.

Those which buy from regional companies are pressing for contracts that are not based on a traditional fixed tariff but which are explicitly linked to the pool price.

Large customers, like the regional companies, expect the pool price next year to be considerably lower than the contract prices being offered by the generators to regional companies, and ultimately to the *end customer. That was in fact* the case for most of last year.

Regional companies that want to stay in supply are already offering such pool-linked contracts, which, like their own underlying contracts *with the generators,* are simply agreements to pay the pool price, up to an agreed cap and down to an agreed floor.

Customers may regret that. *Contracts* give stability, while the pool price (which is set by the National Grid Company on *the* basis of the cheapest available plant offered by the generators in a bidding process, plus a charge relating to the balance of supply and demand) *varies with underlying fuel* costs and the vagaries of supply and demand on the system.

Someone in the industry will have to run the risk of buying in the pool. It is either that state of affairs, or accepting contracts at the price the generators set. Increasingly, it looks as if it will be the regional companies that take that risk on behalf of their supply customers.

They will *have to juggle* purchase and sale contracts bravely and adroitly – perhaps going long or short of contract cover. How well the *companies* are trained in such dexterity remains to be seen.

Early interest cut urged by marketers

By Alan Pike

AN EARLY *cut in interest* rates would give business a "greater practical and psychological boost" than any other measure, the Chartered Institute of Marketing says in its Budget submission to the Chancellor.

The institute acknowledges the obligations imposed by the UK's membership of the exchange rate mechanism and the fight against inflation, but it is concerned about the effects of interest rate policy on order books.

The institute emphasises the need for the outstanding talks in the General Agreement on Tariffs and Trade to come to a successful conclusion, saying that the "spectre of protectionism at a time of economic downturn is of great concern".

The institute's submission calls for higher priority to be given to spending on transport. "We must not trail our leading European competitors in freight efficiency as a means of keeping unit costs as low as possible." Efficient transport was a vital *part of regional* policy and helped companies to compete for export business.

On training, the institute says that individual employers are tempted to cut training budgets during recession. It calls for concerted and co-ordinated action by the employment and education departments, the Training Agency and Training and Enterprise Councils to target available funds to meet existing and potential skills shortages.

Continued on Page 21

UK NEWS

Patten hints that early poll is under consideration

By Ivo Dawnay and Ralph Atkins

THE PROSPECT of an early general election was further boosted at the weekend amid signs that the option is now under serious consideration despite efforts by the Conservative leadership to stop speculation turning into "an irrestistible bandwagon."

As both parties outlined their manifesto themes in keynote rallies at the weekend, Mr Chris Patten, the Tory chairman, hinted that an early poll might avert the temptation to delay "difficult decisions."

During a series of whistlestop visits to constituencies in Yorkshire, north-east England, Mr Patten appeared unwilling to quash talk of an early election.

Pointing out that while some argued that the new prime minister might need time to "establish his own record," he would also not rule out an election "in the late spring or early summer."

"They (people) may think there will be too much speculation over election times over the next year and that difficult decisions might be put off as a result," he told one association meeting.

Despite this, Mr John Major, the Prime Minister, made a determined effort yesterday to keep open all his options on a general election date. Speaking on the BBC, Mr Major was *plainly* anxious to play down

Neil Kinnock: expects a "cut and run" campaign

expectations of a May or June election, arguing that the Gulf war and the need to tackle inflation made any electoral considerations inappropriate and premature.

"I have not yet myself given it any particular thought," he said. "We are in the middle of a war in the Gulf and there is a great deal else to do."

But Mr Neil Kinnock, the Labour Opposition leader, made equally clear his belief yesterday that the declining economy will provoke an electorally-motivated interest rates cut and a "cut and run" election campaign.

He told Labour's local government conference in Nottingham, central England, that as economic performance fell and social insecurity rose, reservations about holding an election shortly after the end of the Gulf war would fade.

"Considerations of good taste and economic probity are not going to stop a Tory government that knows it's got Britain into a slump from grabbing any moment that seems to offer some slim chance of avoiding defeat," he said.

The new wave of speculation came after a weekend marked by a noteable rise in the political temperature, for some time becalmed by bipartisan agreement on the Gulf.

In his address to the Young Conservatives in Scarborough on Saturday, Mr Major played heavily on the need for economic prudence while highlighting his aim to promote quality in public services and a society of opportunity.

After attacking the Tories on the economy and the poll tax, Mr Kinnock picked out "economy, quality and opportunity" as his key objectives. He added only the need to bolster democracy through decentralisation and more popular participation in decision-making.

"These basic principles, applied in practical ways, achieving productive outcomes, will be the cornerstones of Labour in Government," he concluded.

Tories retain black candidate

By Ivo Dawnay, Political Correspondent

CHELTENHAM Conservatives yesterday voted by an overwhelming majority to retain Mr John Taylor, a 38 year old black barrister, as their candidate for the forthcoming general election.

The vote, rejecting by 406 to 164 a proposal to reopen the selection contest, should bring to a close one of the Tories' most damaging constituency rows of recent years.

Since his original selection five weeks ago, Mr Taylor has been described as "a bloody nigger" and subjected to other personal criticism widely held to have been motivated by racial prejudice among a minority of the local party.

The uproar provoked by the affair has been a serious embarrassment to the Conservatives and provided heavy ammunition to its Labour critics. They said it gave the lie to Mr John Major's promise to make the Tories a party of opportunity relevant to all sectors of society.

The outbreak of what was widely seen to be unashamed white bigotry in a Tory heartland provoked a flurry of condemnation from the party leadership.

Mr Chris Patten, the party chairman, was forced to give Mr Taylor an unparalleled endorsement not usually required of candidates who could claim to be both a Solihull solicitor and Home Office adviser.

More articulate opponents of Mr Taylor candidature argued however, that their objections were not racially motivated, but based on the wish for a local candidate. They said that he had been foisted on them by Conservative Central Office in a cynical example of "tokenism" aimed at ensuring the party had a black MP.

Last night, the prime minister welcomed the constituency's confirmation of Mr Taylor's candidacy. He said: "I am very pleased indeed. This is the right decision overwhelmingly reached."

Economist quits BT over pricing policy

By Hugo Dixon

PROFESSOR John Kay, one of Britain's top economists, has stopped working as a consultant for British Telecom following unhappiness at the way the company has been conducting its increasingly bitter dispute with the government over its pricing policy.

Professor Kay, one of four economics professors hired by BT to help it present its case to the government, says that it should be free to put up its line rental charges much more rapidly and should not be forced to cut the price of international calls.

The structure of BT's prices has become the most contentious issue in the government's current review of the BT/Mercury Communications duopoly.

BT has threatened to take Oftel, the industry regulator, to the Monopolies and Mergers Commission, unless it is given freedom to "rebalance" its prices in line with costs. BT has used the name of the four economists prominently in its battle against government and Oftel.

Professor Kay said he was unhappy with the way BT had conducted the debate on prices and believed that it had made statements that had not been academically justified. BT says that Professor Kay had cleared the remarks attributed to him in the company's submission to the government. "If he is unhappy with the way the debate has been conducted, that is up to him," the company says.

The other three economists, who were questioned last week, also failed to give full backing to BT's arguments.

On the issue of rebalancing, Professor Kay said: "I haven't seen figures for incremental costs for proving the case for rebalancing to my satisfaction."

Professor Kay argued that the government should ensure that most of the benefits from any rebalancing went to BT's customers rather than its shareholders.

He also said there was a case for capping the company's international prices, which competition with Mercury has failed to bring down.

Women breach boardroom bar

Simon Holberton and Clive Cookson on the role of female directors

COULD it be that, 25 *years after the women's* liberation movement forced feminist issues on to Britain's social agenda, companies are just beginning to see a role for women at the highest level, on their boards of directors?

There are some straws in the wind. Within the past two months, the UK's three largest chemical and pharmaceutical companies have each appointed their first woman to the board.

Glaxo recruited Mrs Anne Armstrong, US ambassador in London in the mid 1970s and now chairman of the Centre for Strategic and International Studies in Washington DC. *SmithKline Beecham* appointed Mrs Birgit Breuel, chief executive of Vorstand Treuhandsanstalt, the agency charged with privatising state-owned industry in the former East Germany. ICI chose another German, Miss Ellen Schneider-Lenné, a director of Deutsche Bank.

Not tokens: Anne Armstrong of Glaxo (left) and Ellen Schneider-Lenné of ICI

Yet a cooler look at those appointments suggests that the chemical and pharmaceutical industries are simply catching up with other companies. A 1989 survey of women in the boardroom by the Ashridge Management Research Group found that only 21 of the top 200 companies in Britain had a woman on the board and in only six of those cases were the women executive directors. None of the companies that had women on their boards was a pharmaceutical or chemical concern.

The typical woman on the board of a British company in 1989 was in her 50s, had a title or family connection with the company and was Oxbridge-educated. She had a better than 50 per cent chance of sitting on the board of a large retailer or hotelier. Only 24 per cent of female board members worked for companies in the transport, communications and manufacturing sectors.

Compared with male counterparts, women directors are unlikely to have a commercial background. They are more likely to have gained experience in local government, national and European politics, voluntary organisations and public bodies.

In Britain the government has resisted attempts to further women's careers through anything approaching an affirmative action programme, such as exists in the US. In April 1989 the government turned down demands in the House of Lords for legislation to require companies to secure "a fair representation of women" on the boards of public companies.

In the US, where affirmative action to promote women and racial minorities has been pursued much more actively than in Europe, all large companies feel obliged to have at least one woman director.

It is also not uncommon for US managers to be evaluated on their promotion of women executives through their company. That means annual reports containing pictures of all-male boards are an increasing embarrassment for UK-based companies operating in international industries such as chemicals and pharmaceuticals.

Both ICI and SmithKline Beecham denied vigorously that their new non-executive directors were "token women" designed to make their annual reports more satisfactory to US investors. They were chosen primarily because of business qualifications and wide international experience. Their German connections will be particularly useful in the companies' plans for expanding into central Europe.

ICI and SB spokesmen agreed that they had been looking for a suitably qualified woman to join the board. "The fact that she was female was an added plus," said Mr Alan Chandler of SB. Mr John Edgar of ICI said the chairman, Sir Denys Henderson, "has been

"I don't want a bright woman on my board," the chairman said

interested in finding a woman for the board ever since he took over four years ago. He believes it is necessary to have as wide a range of experience as possible."

Glaxo's attitude is different. "There was not a conscious attempt to put a woman on the board," said Mr Miles Wilson of Glaxo. "That was absolutely not a factor in the appointment of Mrs Armstrong." Sir Paul Girolami, Glaxo chairman, was impressed by her record as a director of four large US companies: General Motors, American Express, Boise Cascade and Halliburton.

Wellcome is the only large UK drug company still looking for a woman director. At the company's annual meeting last month, a male shareholder tackled the chairman, Sir Alistair Frame, on why Wellcome's "top-heavy" board contained 17 men and no women.

"I would like to find the right woman," Sir Alistair replied. "Ideally I would like to see a lady coming up through the company's executive ranks. So long as I am chairman I will keep looking."

Yet some public companies, possibly the majority, still have quite the opposite attitude.

Only a year ago, a medium-sized science-based company was all set to offer a non-executive directorship to a well qualified woman scientist when the chairman intervened. "I don't want a bright woman on my board," he said.

One bright woman who might now be open to offers is Mrs Margaret Thatcher, former research chemist, barrister and prime minister.

UK NEWS

Transport outlook bleak as freeze persists

By Michael Skapinker

BRITAIN today begins another week of freezing weather with transport authorities unable to offer much hope of an improvement in services.

With low temperatures and snowfalls expected throughout the week, British Rail said commuters should avoid peak periods and attempt to stagger their journeys.

BR said yesterday: "We're doing reasonably well in keeping routes open but services *are few and far between on* some lines.

"As long as it's still snowing, *the problems are going to keep* recurring". Several trains were out of service.

British Rail rejected criticisms that its performance during cold weather compared *poorly with those of railways* elsewhere in Europe.

Given that snowstorms were relatively rare in the UK, investment in the equipment necessary to maintain a normal service would be better spent on new trains, the company said.

"It's a question of what resources you put into it", BR said. "If *you're talking about* Switzerland, they have snow ploughs at every station or *whatever*.

"It's simply not worth it in this country. In 1987 Network *Southeast* bought a snowblower which cost half a million pounds then. It hasn't been used in anger on a snow drift".

London's Heathrow airport *said that all* runways were open and that its staff had cleared 74,000 tonnes of snow since last week. British Airways said, however, that it had cancelled a third of its short-haul flights from Heathrow yesterday, although most long-haul international flights were running normally.

BA said that the short-haul *flights were cancelled* because of a shortage of passengers resulting from the Gulf war as *well as poor weather. The regu*larity of flights this week would depend partly on the weather, *although the airline* would try to offer a normal service.

It said: "We've had a few days to get up to scratch. We'll be trying to offer as full *a programme as possible.*"

The Automobile Association said that all motorways were open yesterday, but that several were reduced to one or two lanes because of snow. The AA said that it expected driving conditions to remain difficult this week. "If the bad weather continues, we'll have the same chaos as we've had in the past few days."

Shelter, the housing charity, said that thousands of people *throughout the UK would have* to sleep rough this week, in spite of the government's *announcement that it was* making 700 new beds available to the homeless in London.

Mr Simon Keyes, Shelter's assistant director, yesterday accused the government of *ignoring the homeless outside* the capital.

He said: "The government *appears concerned only with* the high-profile problem in central London. We have almost 50 reports, from Taunton to Tyneside, that show as many as 5,000 people may be sleeping rough outside the capital tonight, with up to 2,000 more in outer London.

"The government has not given a single penny outside London and has simply passed the buck to local authorities without offering any support. *The result is a shambles, with* few councils taking any action and fewer still having made *any plans before the snow* started falling".

Weather, Page 14

Downhill all the way: the snow and ice covered lanes of *North Yorkshire* prove treacherous for one motorist. Similar conditions were found throughout the country

UK death rate higher in cold

BRITAIN HAS a far higher death rate in cold weather than a range of other countries, according to a study conducted for the charity umbrella body Winter Action on Cold Homes, Alan Pike writes.

The research, which examined mortality in 10 countries over *nine years, shows that deaths were 10 per cent higher than* average across all the countries during January. In England and Wales, however, they were 19 per cent above average and 16 per *cent higher in Scotland. By comparison, Germany experienced* increases in average January mortality rates of only 4 per cent, the Netherlands 6 per cent, Sweden and Norway 7 per cent and *Switzerland 8 per cent.*

The study, by Ms Melanie Henwood of the King's Fund Institute health research organisation, shows that in 1976-84 there *were nine months in* England and Wales and eight in Scotland when deaths were at least 20 per cent higher than average. There was only one such month in Sweden, Germany and Italy and two in the US, Switzerland and the Netherlands.

Mr Michael Meacher, Labour social security spokesman, said yesterday that many needy people *would be* excluded from the government's improvements in cold-weather payments announced last week.

Blizzards of trouble from airline monopolies

THE stewardess's uniform looked as though it had been designed in the 1930s for an usherette at the Odeon. The powdered tea was of a quality reminiscent of British Rail in the 1970s. The seats were packed together as tightly as a package tour flight to southern Spain, writes Charles Leadbeater.

It was 6.50am on Saturday, the Air Inter flight from Toulouse to Paris, in the midst of a 28-hour attempt to reach snowbound Heathrow.

Many business travellers found themselves in a similar position at the weekend – battling not just against the elements but also against a European air transport system that passes travellers from *the clutches of one near-monopoly* to another. The journey was punctuated as frequently by misinformation from the airlines as snowfalls from the sky.

The attempt to get home from Toulouse began with a 6.30am wake-up call on Friday to make an Air France flight two hours later direct to Heathrow. At first Air France said the flight had been delayed, then cancelled, because Heathrow had been closed, although it had only been reduced in capacity.

I transferred to the 5.45pm Dan Air flight for Gatwick. As the main airlines closed *their desks, a lone man working* for the financially troubled Dan Air became the last hope for the growing group *hoping to reach the UK.*

In the course of the afternoon the departure time was put back to 8.30pm and then to 10.30pm.

Dan Air at least had the honesty to admit that the flight had been diverted to pick up passengers from Nice.

The venture seemed increasingly dubious. After almost 12 hours prowling around Toulouse airport trying to decipher the truth from the airlines' rare but highly coded public pronouncements, I retired to a hotel.

Next morning, after arriving on time at *Charles de Gaulle, I was told by a* smiling Air France check-in clerk that the 9.00am Air Inter flight to Heathrow *would depart just five minutes late.*

After first sitting on a bus for 45 minutes and then for a further 20 minutes in the 25-year-old Boeing 727, we were given our first and only explanation for the delay – unspecified "air traffic control problems".

On the flight, Air France's customer service was in full swing – not a drink, a morsel of food or hint of further explanation was offered.

Three hours and 15 minutes late, Air France flight 806 left the tarmac. It arrived in the airspace above London about 40 minutes *later*, as a voice informed us to prepare for our descent. It was too good to be true and sure enough *the voice shortly returned to* say that we would be circling Heathrow for 40 minutes.

Flying has become merely a brief interlude between various forms of inconvenience. We circled Heathrow for an hour before we arrived on the one runway, which BAA, another monopoly, had managed to keep open.

The entire package, including hotels and parking cost a mere £600, enough to fly the Atlantic at least twice.

The right stuff: John Major arrives at Scarborough after a difficult drive from London

Major beats the elements to sketch out the future

Ralph Atkins on the YC conference at Scarborough

MR JOHN MAJOR battled across snow-gripped Britain to address the weekend's Young Conservative conference in Scarborough, his Daimler coated in grey ice. It was more than a courtesy.

Conscious that he may want to call a general election as early as June, the prime minister began sketching what senior party officials describe as "signposts" to the Tory manifesto, now in early stages of preparation.

Education was top of his "personal agenda"; there were emollient words on Europe and on improving public services. In the Conservative politician's shorthand, he wants to create an "opportunity" society. Britain needs a "wider, deeper series of opportunities for people across the whole range of the country", he told the BBC yesterday.

The Young Conservatives' conference – usually the butt of colour-writers' wit for its brash "party-time" politics – was taken more seriously than usual. Mr Chris Patten, party chairman, wants to target the 18-to-30 age group. It was also the first party conference Mr Major has addressed since his election as leader in November.

His style differed substantially from Mrs Margaret Thatcher's, a master of the art of timing and expectation-building. Mr Major's speaking style, except for the odd burst of shrillness, is still monotone. His strength was the sincerity – notably over the plight of British troops in the Gulf – that won much applause from the YCs who managed to reach frozen Scarborough.

On some of the broad features Mr Major sketched – the economy and defence – he was willing to adopt the legacy of his predecessor. On others, most significantly education and Europe, he wanted to tailor his own agenda. Yet it is clear that he has not gone beyond outlining ideas – the substance is still to come.

On education, Mr Major wanted more choice, better quality and more pupils staying on beyond 16. The education system had to be "the equal of anything abroad". But the nearest he got to a specific commitment was a warning that "teachers may need to be better trained in the subjects they are going to teach".

A large part of the running is likely to be made by ministerial colleagues – a tactic that has dangers as well as advantages.

Only a few hours after the prime minister's address, a distinctly right-wing Conservative vision was offered to YCs by Mr Michael Fallon, junior education minister and member of the No Turning Back Group of Tory MPs who formed Mrs Thatcher's praetorian guard.

If he had been in the conference hall, Mr Major might have regretted the lack of any indication of government commitment to embracing the "social responsibility" he sees as running alongside "sound money".

Within two or three years, most large schools would have opted out of local council control, Mr Fallon predicted. The government would break the "teacher training monopoly" and have more training in the classroom, not colleges.

Mr Patten has been entrusted with developing much of the manifesto, engaging Labour in a "battle of ideas" – and also the selling of Mr Major to the electorate.

The "signposts" in his conference speech included education and training but also the family, opportunities for women and the environment.

Less conspicuously, Mr Patten will be anxious to maximise electoral advantages of the prime minister's standing over the gulf. The calculations are handled sensitively – and never mentioned in public. Neither Mr Major or Mr Patten is by nature likely to wrap himself in the union flag. But one senior party insider said it would require "heroic restraint" to prevent exploitation of the prime minister's leadership credentials.

The YC conference indicated that Labour's defence policy was still a legitimate target. Mr Patten told YCs it remained "unblushingly unilateralist". Only a small step is required to claim that Labour would not have been as firm over the Gulf.

If the Young Conservatives are a guide, the party will adjust only slowly to any change of tack. The leadership is still dominated by "The Right Team" of loyal Thatcherites. A motion insisting Britain's membership of the European Community must not lead to the loss of national heritage, identity or sovereignty jarred with Mr Major's commitment to the UK as "an enthusiastic partner" in Europe.

That is why Mr Major talks only of building on the reforms of the past decade and insists that the party's philosophy remains firm. Yet as he told the YCs, Conservatives have to "adapt in order to thrive". He wants to innovate, and "be his own man". Struggling with the snow is a small price to pay.

NEWS IN BRIEF

CBI gloomy on business confidence

THE latest Confederation of British Industry economic report on smaller companies says two thirds of manufacturers are less confident about their business prospects than they were in October.

The report, based on a survey of 723 manufacturers companies with fewer than 200 employees, indicated a sharp fall in domestic orders and a more moderate decline in the volume of new export orders. *Smaller Firms Economic Report. CBI. £10 (Members £5).*

Satellite dish survey

THE MARKET for satellite television dishes slowed significantly in January, according to the latest research from the FT's Satellite Monitor.

The number of BSkyB dishes installed during January fell to 17,000, compared to 75,000 in December, when Christmas stimulated the market.

There are 1.295m dishes installed in the UK – roughly one for every 15 homes – according to the survey which is compiled monthly by Continental Research.

Drug sales record

THE UK pharmaceutical industry earned a record trade surplus of £1.1bn last year, up 15 per cent on 1989, according to the Association of the British Pharmaceutical Industry.

Exports rose by 12 per cent to £2.26bn, in spite of the Gulf crisis and the loss of markets worth £60m a year in Iraq and Kuwait. Imports went up by 9 per cent to £1.16bn.

The ABPI says the sector is the UK's third-largest source of foreign exchange earnings from visible trade.

BBC warned to increase non-fee funds

By Ralph Atkins

A WARNING to the BBC that it must increase funds it raises from sources other than the licence fee was issued yesterday by Mr Peter Lloyd, junior home office minister.

After the BBC's Royal Charter expired in 1996, he said, it would be "very much harder" to justify the licence fee, given the profusion of commercial stations expected then.

Speaking at the Young Conservatives' conference, Mr Lloyd said: "Paradoxically, there may be greater justification for continuing the licence fee if the BBC had been seen to be successful in maximising other sources of revenue." It would also have to show it was being run efficiently.

Mr Lloyd regretted that raising money beyond the licence fee did not "fit with the traditional culture of the BBC". He did not visualise the BBC taking advertising in the "foreseeable future" but the government regarded funding of the corporation after its charter expired as subject to open debate.

The BBC said later it was "vigorously pursuing" additional funding. Income from sales of programmes, books, magazines and co-funding had increased and plans were far advanced for subscription services. Sponsorship was a tough area because of the recession.

Low-cost housing deal

NORTH HOUSING, the *second-largest UK housing* association, is to provide up to 1,000 new, inexpensive homes under separate agreements with the Housing Corporation and the Spastics Association, writes David Barchard.

Under the terms of a £50m deal agreed with the Housing Corporation at the weekend, North Housing will build 822 homes, using land provided by 11 local authorities and a £20.7m Housing Association grant.

North Housing is also expected to raise private finance. This will be the second time the housing association has done so. It arranged a £65m *stock issue* in 1987 to build 1,700 houses in 15 cities.

The local authorities will have nomination rights over properties in exchange for the land they provide.

The grant will be targeted at five different regions of the Housing Corporation: the north-east, the east Midlands, the home counties and London, the north-west and the west.

● In a separate agreement with the Spastics Society, North Housing is to build 200 purpose-designed bungalows for people with cerebral palsy at a cost of £25m over the next five years.

MANAGEMENT

John Gapper on UK unions' mixed reactions to employers' moves to more direct communication with workers

Planning a response to a perceived challenge

Ron Webb is recounting his reaction to the suggestion of Unigate, the dairy company, that it introduce employee briefings at a plant in Chadwell Heath, Essex. "Our immediate response to that, quite frankly, was 'not on your nelly'," says Webb, a district officer of the Transport and General Workers' Union.

Webb's opposition to one of the employee involvement techniques increasingly bundled under the heading of human resource management (HRM) is in one respect typical. It shows the suspicion with which unions often greet attempts by companies to change the ways employees are managed.

But in another respect, it is unusual. For his comments are on a video film made by the TGWU for its shop-stewards. The video is one of the innovative ways in which the union is trying to limit any damage being done to collective organisation by the spread of HRM techniques through British industry.

Although many of the ideas under the HRM banner are also found in companies with traditional personnel departments, unions often associate the term HRM with an explicit challenge to their strength. They see it as an attempt by managers to bypass stewards and deal directly with workers.

As HRM techniques spread, unions are also trying to plan responses to make the best of the challenge. Some argue that unions can learn from techniques such as employee attitude surveys. Others believe the adoption of HRM and its rhetoric of employee involvement make companies more vulnerable.

HRM is not overtly anti-union, and managers often emphasise that they are happy for shop-stewards to remain in place. Yet they seek a workplace in which managers are not dependent on unions to communicate with employees, and in which collective relationships are replaced by individual ones.

The implication is that unions may simply wither away in a company run entirely according to HRM principles. They will certainly not be afforded the level of employer support in companies which have traditionally reinforced shop-steward power by disseminating information through them.

"It sounds plausible, that is what is so difficult for us," says Fred Higgs, a TGWU national officer. "It can be a genuine attempt to involve workers, and of course you cannot do anything other than welcome that. But the real motivation of companies is often to weaken collective strength."

The TGWU's video warns its stewards to be wary of attempts to introduce communication and involvement ideas such as team-briefing and quality circles, or consultation mechanisms like works councils, which do not involve unions. It also warns against easy acceptance of team-working and multi-skilling.

But the video acknowledges that the union has faced real challenges in HRM, and suffered setbacks. It cites examples of employees accepting new working agreements which shop-stewards have opposed, including broad changes at Norsk Fertilisers in Immingham which were linked to a single union deal.

David Guest, professor of occupational psychology at Birkbeck College,

HUMAN RESOURCE MANAGEMENT

London, says HRM sits uncomfortably with industrial relations management because it assumes workers' and managers' interests are not inevitably at odds. He says it presents three specific forms of threat to unions.

First, managers will try to pursue goals through channels which bypass unions. They may encourage individual performance rather than collective pay awards; they will have team briefings rather than communicate through stewards; they pay attention to employee development through training.

Second, the general improvement in the quality of people management will reduce tensions and conflicts which drive workers towards belonging to unions. The pay "mark-up" which is the most obvious benefit of belonging to a union may be established without worker pressure.

Third, at non-union sites and in new plants, HRM may obviate the need for unions. Rather than having alternative communications and consultation structures, managers will be able to establish their own. They may not even need the cover of a non-independent staff association.

Furthermore, there is a danger that unions which have been used to exploiting traditional forms of work organisation by building up pay based on demarcations and skill differentials may be wrong-footed by team-working and multi-skilling. They can find themselves opposing things that workers like.

A warning was sounded in the bargaining "new agenda" drawn up last year by John Edmonds and Alan Tuffin, leaders of the GMB general union and UCW postal union, respectively. They said unions had to "escape from a self-defeating fixation with tightly specified job description and embrace adaptability".

Despite all this, some union leaders remain sanguine about the development of HRM. They say employers make themselves more vulnerable to unions by embracing HRM because they admit the legitimacy of workers becoming involved in work decisions, but then fail to deliver the promised new world.

Edmonds talks of the "false prospectus of HRM" in companies promising consultation and involvement, but in practice only wanting to establish new forms of control away from unions. This problem "is exposed to most workers the first time they actually disagree with managers," he says.

"The HRM package does not actually handle the views of employees at all well," says Edmonds. "It is quite good on communicating managers' views, but not too good on feedback, and no good at all on allowing the real questioning of managers' decisions."

He argues that this unwillingness to allow real worker participation in management decisions is characteristic of the American roots of HRM ideas. In contrast, European-owned companies such as Nestlé offer GMB members a better chance of taking part in proper discussions about work.

This view that HRM may exert little long-term damage to unions because of managers' failure to accept its more painful implications is shared by John Monks, deputy general secretary of the Trades Union Congress, who says HRM presents "extremely fertile territory" for unions.

Monks believes there is limited scope for companies to marginalise unions by providing good enough employment conditions to make them unwanted. He says only market leaders which have policies not squeezed by "the vicissitudes of the trade cycle" may have the luxury of doing so.

Fred Higgs: maintains that the "real motivation of companies is often to weaken collective strength"

Instead, he says human resource items such as the emphasis on single status employment conditions can be exploited by unions. "Unions have attacked the divide between white-collar and blue-collar workers, but the distribution of perks to executives is another fertile area," he says.

This view of human resource management as a creed – which in practice does not threaten union organisation – has been adopted by some unions in the US, notably in the car industry. Local branches of the UAW union have co-operated with quality improvement programmes in the big car-makers.

Such developments have also spread in the car industry in Britain, where Ford's employee development and assistance programme and its quality improvement drives have both been backed by unions. Car companies have spent some effort reassuring unions of their intentions.

Some unions go further than this, and argue that they can learn some new HRM tricks themselves. Clive Brooke, leader of the Inland Revenue Staff Federation, says HRM techniques, which include employee attitude surveys, show "a degree of sophistication that unions ignore at their peril".

Brooke argues that by adopting their own versions of quality circles and worker involvement, unions can strengthen themselves and ensure members take part in decision-making. He says unions can use this strength of consultation to challenge companies to improve their quality of management.

"The natural response to HRM is to dig in and oppose it, but that is a short-term view," says Brooke. "Unions have got to address the issues HRM raises. It is the sort of thing we have been calling for in management, so we should go with it and make the most of it."

Previous articles in this series appeared on January 28 and February 1. The video Moving the Goalposts is available from: TGWU Education Department, Transport House, Smith Square, London SW1P 3JB. £5.50.

Short-termism: myth or reality?

Simon Holberton on two points of view from last week's Stockton lecture

The debate about the relationship between the City and industry, which goes under the generic title short-termism, comes and goes. Currently we are in a "come" phase.

The tempo of the debate will no doubt pick up later this month when the Commons Trade and Industry Committee begins hearing evidence to further its inquiry into mergers and takeovers in Britain.

Fifteen years ago short-termism was the subject of a Stockton lecture given by Professor Harold Rose at the London Business School. Last Thursday, in his peroration to the first of the 1991 series of Stockton lectures, Sir James Ball suggested that it may well reappear on the LBS lecture circuit in 2006. It seems that short-termism is one of the least tractable issues for the UK's industrial society.

Sir James shared the podium with Peter Williams, chief executive and chairman-designate of Oxford Instruments, a high-technology company. It was Williams's job to argue that short-termism was a "reality" in today's Britain and Sir James's to argue that it is a "myth". Both speakers – having "proved" their opposite points of view – ended their lectures on the theme of corporate governance.

Corporate governance is a far cry from the most pressing issue identified in the mid-1970s – when the short-termism debate was framed almost solely in terms of the City's reluctance to supply industry with enough capital for investment – but it is indicative of the growing importance which it is assuming in management circles. It also suggests that the latest version of the short-termism debate, having started as a slanging match about a year ago, is now beginning to focus on some issues of substance.

Williams, in the context of more communication between City and industry, said that one way of breaking down the barriers would be for companies to appoint more independent directors. (Oxford Instruments has, in fact, a majority of independent directors.) "But again," he said, "it is a two-way street; it is necessary if we are to make progress that greater openness in the boardroom is matched by better informed responses from the financial world to the problems we confront together."

Sir James pointed out that good investor relations could go only some way to ameliorating the conflict between industry and the City. He noted that Legal and General, the insurance company, of which he is chairman, had more than 500 meetings with companies last year, but there was a "chronic ambivalence" among managers for investor involvement in management.

He suggested that many of the issues associated with short-termism could be settled in "properly constituted boardrooms". There, where this is a distinction between direction and executive management, management failure could be corrected without resorting to a change of ownership.

Sir James said the law ought to be invoked. The role and number of independent directors should be specified; there should be legal requirements placed upon shareholders to participate in the nomination and election of directors. "Without changes in the legal framework within which the game is played, I foresee the players continuing to engage in a relatively fruitless debate," he said.

It is in the nature of debates, as with cards, to lead with one's best suit. But surely Sir James found too little fault with investment institutions. They have been singularly ineffective in operating as interested shareholders and acting to correct management failure. Although they may be the last to sell out, they seem to favour the takeover market for the punishment of poor management.

The sorry tale of Chloride, once Britain's premier battery maker, is one of almost culpable institutional neglect in the face of nearly 20 years of management failure. The company has not yet received a takeover bid; perhaps the institutions are waiting for one so they can vote with their feet.

LEGAL COLUMN

A look at lawyers who stray from the straight and narrow

By **Robert Rice**, Legal Correspondent

IN 1989 "defaulting solicitors" were causing so much concern in the legal profession that the Law Society decided to carry out some research into their background and circumstances to see if it could discover what causes otherwise honest professionals to stray from the straight and narrow. The results of that research have just been published.

What is a defaulting solicitor?

A defaulting solicitor is one whose dishonesty results in a claim against the society's compensation fund. The compensation fund is a discretionary fund of the last resort and its purpose is to protect the public and the image of the legal profession. It handles claims resulting from the dishonesty of solicitors practising on their own (sole practitioners) and cases where all the partners of a law firm have been dishonest.

In other cases of dishonesty – where, for example, there is at least one innocent partner – claims are dealt with by the solicitors' indemnity fund. The Law Society's research deals only with cases considered by the compensation fund, because, somewhat surprisingly, there are no comparative statistics kept about solicitors' indemnity fund cases.

In 1987, the year chosen for the study, there were 47 defaulters – not a vast number considering that there were almost 50,000 practising solicitors in England and Wales that year. Why should the society, and, indeed, the whole profession, be so worried about those 47 miscreants?

The answer is partly because of the money involved. The dishonesty of those 47 has so far cost the compensation fund £4m, with a further £2m in claims outstanding. The fund is financed by the profession, so the sums have hit individual practitioners where it hurts.

The other reason is that although there are only a few such cases each year they tend to be the ones that attract the most publicity and therefore do nothing to improve the public image of the profession as a whole.

Of the 47 defaulters, only one was female – although, interestingly, she was responsible for the biggest single claim against the fund – £893,814. Only three of them were of ethnic-minority origin. Nearly three fifths of them had been practising for between 10 and 20 years. The overwhelming majority – 41 – were sole practitioners. All the remaining six were senior partners in firms with two partners each.

The length of time defaulters had spent with their firms before they unlawfully withdrew clients' money varied considerably. Six had worked for their firm for more than 10 years; 11 between five and 10 years, 14 for between two and five years, 10 for between six months and two years and two for less than six months.

Those statistics, when combined with the number of years in practice, suggest that those who have been admitted for between 10 and 20 years but who have not stayed in the same firm are the ones most likely to give rise to claims against the fund.

Of the 41 sole practitioners, 10 had set up their practices as a new business, four had bought it as an established business, seven had set up on their own after a partner left or died, and four after they had been asked to leave by the partners of their previous firm.

There were two sets of figures recorded on the amount of each default: the figure described as the "minimum cash shortage", which had been discovered by investigating accountants put in by the society to examine the accounts of a suspect solicitor; and, second, the figure paid out by the compensation fund to cover the losses of the dishonest solicitor's clients.

Although in the 1987 cases there appeared to be some relationship between the two sets of figures, they were far from identical. One solicitor with an initial minimum cash shortage of less than £500 eventually cost the fund £200,000.

The amount of default varied significantly. The conduct of 15 solicitors resulted in payments of less than £2,000 by the fund. Four cost the fund between £2,000 and £10,000. Eight were responsible for payments of £10,000 to £50,000, 13 fell within the £50,000-£200,000 category and seven were responsible for payments of more than £200,000.

In 31 cases, payments were made by the fund to individuals, in 10 cases to banks or building societies and in 13 cases to other bodies such as companies.

Twenty-eight defaulters appropriated clients' money entrusted to them in the course of mortgage and property transactions. Two appropriated money connected with estate management. In the remaining 17 cases, the area of the solicitor's work in which the dishonest appropriation of money occurred was not identified.

At least 14 of the solicitors had been investigated by the police in connection with their default and other activities; 10 of them had been found to be

There are only a very few truly bad pennies; the majority just need help

involved in organised fraud. Three of those 10 were involved in police investigations for working for dishonest clients.

The evidence suggests that more than three fifths of the defaulting solicitors had difficulties in their personal lives about the time they got into trouble. Five were in poor health either because of an accident or because of a heart condition. Seven had serious family worries, such as the death of a wife or child or a separation. One was an addicted gambler and three were alcoholics. Thirteen were receiving treatment for stress or depression. Two had attempted suicide.

In addition to those personal difficulties, many of them also appeared to have work or financial worries. Fifteen solicitors were badly overworked or had taken on more than they could effectively cope with at the time and three in four of them had financial troubles either with their businesses or at home.

What action was taken against those people?

After they had been found out, they were asked to appear before the solicitors' disciplinary tribunal. In addition, at least 10 of them were prosecuted in the criminal courts.

By the time the society's research was carried out in April 1989, 12 of them had not appeared in front of the tribunal; either the hearing had not yet been arranged, or the defaulter had already been convicted and jailed, or had left the country.

Of the 35 who had appeared before the tribunal 10 were suspended from practice for a spell, six were fined or reprimanded and 19 were struck off.

As the facts and figures are likely to vary quite considerably from year to year, probably not many lessons can be learned from this sorry tale. Still, the high percentage of sole practitioners among defaulters each year (46 out of the 49 defaulters in 1988 were sole practitioners) suggests that the society is right to be concerned about that group of solicitors.

It is not that there are vast numbers of sole practitioners out there who are inherently dishonest, but that there is a sizeable number who for one reason or another get in over their heads.

Some, perhaps because of increasing competition and financial worries, will take on more work than they can handle. Others, while clearly competent lawyers, are simply not capable of running a business. Some may make the mistake of believing that they are only borrowing clients' money to see them over a temporary cash flow shortage or to reduce their overdraft at the bank. There are only a very few truly bad pennies. The majority simply need help.

Most defaulters have a history of filing their annual accounts late. The closer attention now paid by the society to such solicitors should enable those solicitors who are getting into trouble to be identified earlier. Help can then be offered and, one hopes, the damage limited.

This may be a costly exercise for the society, but if ultimately it reduces the number of defaulters and reduces the burden on the compensation fund, then it is a price the whole profession should be willing to pay.

Default by Solicitors, by Eleni Skordaki and Carole Willis. The Law Society Research and Policy Planning Unit. Law Society Shop, 227 The Strand, London WC2, £10.

THE WEEK AHEAD

ECONOMICS

Markets on interest rate alert

London's financial markets will be on interest rate alert this week in the hope that a series of inflation indicators will point the way to a cut in bank base rates from 14 per cent.

Expectations were raised last week, when Prime Minister John Major told Parliament that there would be a sustained fall in British rates once inflation came down.

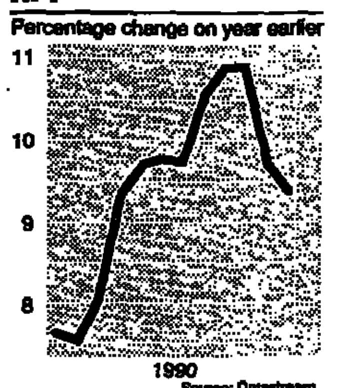
But it is uncertain whether today's UK producer price figures for January, December's average earnings figures on Thursday and Friday's release of the retail prices index for January will provide sufficient evidence of disinflation to encourage the authorities to ease monetary conditions.

The position of sterling as the weakest currency in the European Monetary System is one handicap. Another is the lack of clear evidence that wage inflation is easing in Britain. The consensus of analysts forecasts compiled by MMS International, the financial research company, points to a 9.75 per cent annual increase in average earnings in December - unchanged from November's rate.

Although the annual rate of retail price inflation should fall sharply later from April onwards, the January figures are expected to show only a modest drop in to 9 per cent from 9.3 per cent in December.

RPI

Percentage change on year earlier



Source: Datastream

Labour market data on Thursday will contain more bleak news of rising unemployment and falling vacancies in January. On the same day, the Central Statistical Office will produce industrial production figures for December.

Together, these will leave the government in no doubt as to the serious nature of the recession.

Also on Thursday, the Bank of England publishes its latest quarterly bulletin. The February issue is always scrutinised closely for insights into what the Bank may have advised the Chancellor to do in his March Budget.

In the US, the expected retail sales and industrial production figures for January will add to evidence of a serious recession.

By contrast, German current account figures and machinery orders in Japan should point to continued buoyancy in these two economies.

Events and statistics, with median market forecasts from MMS international in brackets, include:

Today: Switzerland, Group of 10 central bankers hold regular monthly meeting in Basle. UK, January producer input prices (down 0.5 per cent on month, 2.2 per cent on year), producer output prices (up 0.6 per cent on month, 5.6 per cent on year). Canada, Motor vehicle sales, department store sales and new housing price index for December.

Tomorrow: US, Mr Michael Boskin, chairman of Council of Economic Advisers, testifies before Joint Economic Committee, December housing completions. Japan, December machinery orders. Switzerland, EC central bank governors meet in Basle.

Wednesday: US, January retail sales (down 1.2 per cent), sales ex-autos (down 0.4 per cent). Japan, January customs cleared trade surplus ($1.9bn). Australia, fourth quarter consumer price index (up 1.7 per cent on quarter, annual 7.1 per cent)

Thursday: UK, January unemployment (up 70,000), vacancies (down 10,000), December average earnings (up 9.75 per cent), unit labour costs (3 month average up 10.9 per cent), manufacturing output (down 0.5 per cent), industrial production (down 0.6 per cent). Bank of England publishes quarterly bulletin. Germany, regular Bundesbank council meeting. US, January money supply, December business inventories (down 0.5 per cent). Australia, January employment (down 30,000), unemployment (8.35 per cent), December retail trade (up 0.3 per cent). Germany, December trade balance (DM5bn surplus), current account (DM3.3bn surplus).

Friday: UK, January retail prices index (up 0.3 per cent on month, 9 per cent on year). US, January producer prices index (up 0.1 per cent), PPI ex food and energy (up 0.2 per cent), December merchandise trade balance ($8.5bn deficit). January industrial production (down 0.6 per cent), December capacity utilisation (79.9 per cent). Canada, December trade balance, unfilled orders (down 1 per cent), inventories to shipments ratio (1.56:1)

During the week: Germany, January wholesale prices (up 0.6 per cent), producer prices (up 0.1 per cent), final cost of living (up 0.7 per cent on month, 2.9 per cent on year).

Peter Norman

PARLIAMENTARY DIARY

■ *Today*
Commons: Natural Heritage *(Scotland) Bill, second* reading.

■ *Tomorrow*
Commons: British Technology Group bill, second reading. Namibia Bill, committee and remaining stages. Opposed private business from 7pm.
Lords: New Roads and Street Works Bill, third reading. Debate on the economy.
Select committee: Transport - subject, electrification of Midland main line. Witnesses: Midland main line consortium, and British Rail (Room 17, 4.15pm)
Committee on opposed bill: Heathrow Express Railways Bill (Room 5, 11am)

■ **Wednesday**
Commons: Debate on the Autumn Statement. Debate on Revenue Support *Grant Order for Scotland.*
Lords: Debate on the National *Health Service.* Question to government on music teaching in schools.
Select committees: Foreign Affairs - subject, the Gulf crisis. Witnesses: Mr Ahmad Khalidi, editor, Strategic Review; Professor Trevor Taylor, Royal Institute of International Affairs (Room 6, 10.30am).
Parliamentary Commissioner for Administration - subject, reports for 1989-90. Witnesses: North East Thames Regional Health Authority and the Medical Protection Society (Room 19. 10.45am).
Trade and Industry - subject, takeovers and mergers. Witnesses: *Professor John* Kay and Professor Julian *Franks (Room 15, 10.45am)*
Energy - subject, clean coal *technology and the coal* market after 1993. Witness: Mr Walter Patterson (Room 8, 11am).
Education and Science - subject, sport in schools. Witnesses: Mr Garth Crooks, Ms Sharon Davies, Ms Kim Haggar, Mr Jeoff Thompson and Mr Roger Uttley (Room 6, 4.15pm)
Employment - subject, future job prospects. Witness: TUC (Room 20 4.15pm)
Health: subject, public spending. Witnesses: National Association of Health Authorities and Trusts (Room 15, 4.15 pm)
Home Affairs - subject, Levy on horseracing. Witnesses: *Jockey Club; Horse Racing* Advisory Council (Room 17, 4.15pm).
Armed Forces Bill (Room 21, 5.10pm)
Committee on Opposed Bill: Heathrow Express Railways Bill (Room 5, 10.30am).

■ **Thursday**
Commons: Liberal Democrat debates on "The crisis in farming" and "The crisis in fishing."
Lords: Motions for approval on Farm Grant Schemes and the Traffic Areas Reorganisation Order. Motion on the Food Safety (Northern Ireland) Order. Question to government on the increasing proportion of elderly people in society.
Select committee: Trade and Industry - subject, British Steel. Ravenscraig and *Clydesdale. Witnesses:* Scottish Development Agency, and Arthur *D* Little, management consultancy *(Room 15, 10.30am).*

■ **Friday**
Commons: *Private members'* bills.

UK COMPANIES

Results due

The first flurry of big results come this week as the City gears up for its heavy season of year-end reports.

British Airways announces its third quarter results tomorrow will take place against a background of deep gloom of war, faltering traffic and rising costs. For the third quarter a small loss is expected. Bets are off for the fourth quarter and into the coming year.

British Telecom's cost-cutting efforts will have played an important role in the third-quarter results, due out on Thursday. A pre-tax profit of about £770m for the three months to September 30 is expected to be added to the interim total of £1.5bn.

British Petroleum will also report its fourth quarter and full-year earnings on Thursday. The company reports two sets of figures, one which includes revenue from gains and losses made on oil stocks and one that does not.

BP will have made a loss on stocks in the last quarter because the oil price fell during the period.

But its earnings reported on a replacement cost basis which eliminates the stock loss should show a substantial rise. This is because it is now much cheaper for the company to buy its oil.

One analyst's estimate puts BP's income up over 40 per cent at $500m for the final quarter. But a weak start to the year will subdue the full year's figure which has been forecast to drop from £1.36bn to £1.25bn.

First quarter figures due from Hanson on Wednesday are expected to set the tone for the year by showing a small increase on the £225m pre-tax profit reported last time. A rise to perhaps £235m is forecast, although the figures may be restated to reflect the conversion last year of Hanson's loan stock.

Dalgety, the food and agribusiness group which owns Spillers, Kattomeat and Golden Wonder, is expected to report interim pre-tax profits of about £52m on Monday, compared with the £57m it achieved in the first half of 1989-90.

Amstrad is expected to announce pre-tax profits of £40m for the half-year to 31 December 1990, compared to £30.1m for the last six months of 1989. Mr Alan Sugar, Amstrad's chairman, has designated *1990/91* as "the year to make money" after sharp falls in pre-tax profits in each of the preceding two years.

Reuters, which announces results for the year to December tomorrow, has already made its own forecast of pre-tax profits at £320m.

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Avon Rubber, Melksham House, Melksham, Wiltshire, 2.30
McCarthy & Stone, Windrush Court, 67, St. Mary's Mead, Witney, Oxfordshire, 12.00
BOARD MEETINGS:
Interims:
Dalgety
GT Japan Inv. Trust
Finals:
Berkeley Govett
European Assets Trust

■ **TOMORROW**
COMPANY MEETINGS
Baggeridge Brick, Plough & *Harrow Hotel, Hagley Rd., Birmingham,* 12.00
Devenish (JA), The *Brewers' Hall,* Aldermanbury Sq., EC., 12.00
Hardys & Hansons, *Kimberley Brewery,* Kimberley, Nottingham, 11.30
Sturge Holdings, The General Council Of British *Shipping, 30-32, St. Mary* Axe, EC., 11.30
BOARD MEETINGS:
Interims:
Amstrad
Bailey (CH)
Budgens
Courtney Pope
Dudley Jenkins
Fleming Overseas Inv. Trust
Finals:
Beckenham
Dickie (James)
Hunterprint
Leslie Wise
Manchester Ship Canal
Tranwood

■ **WEDNESDAY FEBRUARY 13**
COMPANY MEETINGS
EFG, The Caledonian Club, 9, Halkin St., SW., 11.00
Kynoch (G & G), Beaufort *House, 15, St. Botolph St.,* EC., 12.30
BOARD MEETINGS:
Finals:
Castle Cain Inv.
Fleming Fledgeling Inv. Trust
General Consolidated Inv. Trust
Green Property
Kleinwort Overseas Inv. Trust

■ **THURSDAY FEBRUARY 14**
COMPANY MEETINGS
Guinness Mahon Hldgs., Bakers Hall, 9, Harp Lane, EC., 12.00
Midlands Radio, Hilton National Hotel, East Midlands Airport, Derby Road, Lockington, East *Midlands,* 12.00
RMT, 17, Token House Yard, EC., 10.00
Tomkinsons, The Chantry, St. Mary's Church, Kidderminster, Worcestershire, 12.00
Western Selection, Honourable Artillery Company, Armoury House, City Road, EC., 12.00
Westland, New Connaught Rooms, Great Queen St., WC., 11.00
BOARD MEETINGS:
Interims:
GT Venture Inv.
Glasgow Income Trust
North American Gas Inv. Trust
Photo-Me Intl.
Finals:
Anglo & Overseas Trust
P & P

■ **FRIDAY FEBRUARY 15**
COMPANY MEETINGS
Perpetual, Phyllis Court, Marlow Road, Henley-on-Thames, Oxfordshire, 12.15
Radio Clyde, Clydebank Business Park, Clydebank, 10.30
BOARD MEETINGS:
Interims:
Haynes Publishing
Finals:
Fairway (London)

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
British Telecom. 5.25p
Citicorp 25cts
Halifax Building Society Fltg. Rate Loan Notes 1994 £179.95
Halma 0.92p
Harland Simon 2p
MS Intl. 1p
Natl. & Provincial Building Society Fltg. Rate Notes 1999 £360.55
Norcros 3.5p
Royal Bank of Scotland Fltg. *Rate Notes 2005 £179.47*
STC 10p
Sanderson Elects. 5.4p
Syltone 3p
Tongaat-Hulett 23cts
Volex 6.5p

■ **TOMORROW**
Avon Rubber 11.5p
Devenish (JA) 4.25p
Fleming Intl. High Inc. Inv. Trust 1p
Learmonth & Burchett 0.4p
Micrelec 1.35p
Tesco Capital 9% Conv. Cap. Bonds 2005 (Reg) £282.50
Do. 9% Conv. Cap. Bonds 2005 £282.50
Tunstall 3p
United Drug IR4p

■ **WEDNESDAY FEBRUARY 13**
BTP 2.95p
Baggeridge Brick 2.375p
Gibbon Lyons 2p
Midland Bank Und. Fltg. Rate Prim. Cap. Notes (Series 3) $387.38

■ **THURSDAY FEBRUARY 14**
Banco Nacional De Mexico Fltg. Rate Subord. Notes 1992 $210.83
Bass 23.4p
Booth Industries 0.7p
British Telecom. 13¼% Notes 1993 6.875pc
Edbro 1p
Eksportfinans 8% Notes 1992 4pc
Goode Durrant 2.15p
Hunter Saphir 1.35p
National Westminster Bank Primary Capital FRN's (Series B) $418.47
Racal Electronics 1.05p
Racal Telecom 2.8p
State Bank Of New South Wales 10 Year Extendible Fltg. Rate Notes $418.47
Tomkinsons 8p
UMECO 1.665p

■ **FRIDAY FEBRUARY 15**
Abbott Laboratories 21cts
Acorn Inv. Trust 1p
Anderson Group 8% Uns. Loan Stock 86/91 4pc
Anglo American Inv. Trust 6% *Cum. Prf. 3cts*
Britannia Building Society Fltg. Rate Notes 1995 £353.03
Brown & Tawse 2.85p
Burton 3p
CH Industrials 0.3p
Chase Manhattan 30cts
Do. Fltg. Rate Subord. Notes 2000 $207.64
Colgate-Palmolive 45cts
Crosby Woodfield 10% Cum. Prf. 3.78082p
Elga 0.6p
Ensor Hldgs. 1.25p
Fishguard & Rosslare Railways & Harbours 3½% Gtd. Prf. Stock 1.225p
Flexello Castors & Wheels *1.87p*
Forminster 3.475p
GMAC Australia Finance 15.25% Notes 1993 7.625pc
Gates Rubber 6% Cum. Prf. Stock 3.5p
Do. 5% Cum. 2nd Prf. Stock 3.5p
General Electric Credit International 11% Gtd. Notes 1994 5.5pc
Greater London Council 6¾% Stock 90/92 3.375pc
Housing Finance Agency 8¾% Stock 2018 4.375pc
M & G Gold & General Fund Inc. 0.3p
M & G Second General Trust Fund Inc. 21.42p
Marsh & McLennan 65cts
Midland Bank Subord. Fltg. *Rate Notes 2001 £176.91*
National Westminster Bank Und. Var. Rate Notes £382.33
Nova Corpn of Alberta 13cts
Pacificorp 36cts
Pall Corp 11cts
Perpetual 1.7p
Polar Electronics 2.5p
Radio Clyde 5p
Readicut Intl. 0.63p
Scottish Inv. Trust 2.65p
Scottish Metropolitan Prop. 7⅜% 1st Mtg. Deb. Stock 88/93 3.6875pc
Do. 10¼% 1st Mtg. Deb. Stock 2016 5.125pc
Scottish & Newcastle *Breweries 5.1p*
Sears 7¼% Uns. Loan Stock *92/97 3.625pc*
Sterling Industries 1.5p
Storehouse 2.5p
TSB Gilt Fund Ptg. Red. Prf. 2.75p
Telefonica De Espana 25ptas
Trafalgar House 9.6p
Trinity Intl. Hldgs. 5% Cum. Prf. Stock 1.75p
Uberior Invs. 14⅞% Subord. Gtd. Notes 2000 7.4375pc
Wells Fargo Fltg. Rate Sub. Cap. Notes 1998 $209.24

■ **SATURDAY FEBRUARY 16**
Treasury 2½% Index-Linked Stock 2013 £1.7754

CONSTRUCTION CONTRACTS

Multi-purpose school for London Docklands

LONDON Docklands is to have a new primary school with purpose-designed facilities for physically handicapped children. M.J. GLEESON GROUP has the £3.9m contract.

To be built at North Beckton, for Newham Borough Council, the two-form-entry school will provide 420 places for infant and junior pupils, plus 60 for nursery-age children. Work has started for completion in July 1992. Although intended primarily for the area, the school will also take physically-handicapped children from all over Newham following the fire which destroyed the specialist Elizabeth Fry School last year.

The single-storey school will cover 2,650 sq metres and have eight junior and six infant classrooms - or home bases as they are known - and two nursery play areas. There will also be group, general-purpose, and quiet rooms, a hall, covered courtyard, dining area and kitchens. Special needs facilities comprise a hydrotherapy pool four metres square, physiotherapy area, medical rooms, and enhanced toilet facilities.

As part of the scheme, Gleeson will build an adjacent three-bedroomed caretaker's house.

Newham Council intends this to be a community school with the covered courtyard, hall, general purpose rooms and dining area available to local people for evening events.

£25m orders for Henry Boot & Sons

HENRY BOOT & SONS, Sheffield, has won contracts worth over £25m.

Work has started on the £7.4m reconstruction of The Athenaeum Building in Glasgow.

Formerly the College of Music and Drama, the building fronts on to West Nile Street and Nelson Mandela Place in the city centre.

These two original facades are being retained, while the interior is demolished and reconstructed for commercial use. Completion is scheduled for November.

Other contracts include:
- construction of of railtrack foundations at the BR North Pole depot in London (£3.4m);
- a hostel and single person housing is to be built for the Salvation Army in East Campbell Street, Glasgow (£2.4m);
- transfer sewer for Elsecar and Wombwell sewage treatment works in Yorkshire plus 4.5 km of gravity sewers (£1m);
- a BMW vehicle distribution centre at Doncaster.

* * *

RAPID expansion of London's third airport at Stansted requires uprating by Thames Water Utilities of the sewage treatment works at Bishops Stortford. ENVIRONMENTAL CONSTRUCTION has a £776,000 contract for the design and construction in 46 weeks of a new sewage sludge digestion complex at the works, to cope with some eight million passengers a year by 1996, together with the needs of housing developments around the airport.

Ryder home restoration

RATTEE AND KETT, a Mowlem company, has won contracts worth over £4.8m in Cambridgeshire.

The largest is a £2.4m restoration and building programme at the Old Palace, Ely, for the Sue Ryder Foundation. Work has started, and involves refurbishment, reroofing and conversion of the 15th century, Grade II listed building into hospital accommodation, mechanical and electrical installations, and the insertion of three new lifts. Phase two is due to start in March 1992, involving a single-storey extension to the old building, with completion scheduled for July 1992.

Other orders include a £1m laboratory building for Cambridge University, to be used for research into superconductivity. Work will be complete by August. The company is also refurbishing the Medical Research Council's reception area and laboratories at Addenbrookes Hospital (£620,000).

In Ely, Rattee and Kett has started work on the fourth phase of a £4m restoration contract at the Cathedral. This phase centres round the Octagon, and includes releading the roof.

Channel Tunnel terminal

TWO companies in TARMAC's quarry products division - Tarmac Topmix and Tarmac Roadstone-Southern - have won contracts at the Cheriton terminal of the Channel Tunnel.

The largest, at about £15m, is for ready-mixed concrete from Topmix.

The biggest order ever awarded to the company, it involves pouring some 300,000 cu metres of concrete, mostly for tunnels, bridges and platform areas.

The Roadstone company has a £2.3m order for supplying and laying about 80,000 tonnes of material on roads and parking areas in the terminal complex.

* * *

FOUR contracts on the Isle of Wight, worth £10m, have been awarded to JOHN LELLIOTT GROUP.

Largest project is the £3.8m construction of an engineering design centre, with 4,000 sq metres of office space on two floors, for Siemens Plessey Radar, at Newport Road, Somerton, Cowes.

Other orders include a £3.2m Safeways supermarket in Sandown; a £2m factory extension for Westland Aerospace in East Cowes; and a £900,000 design and build first phase of offices for Medina Borough Council in Newport.

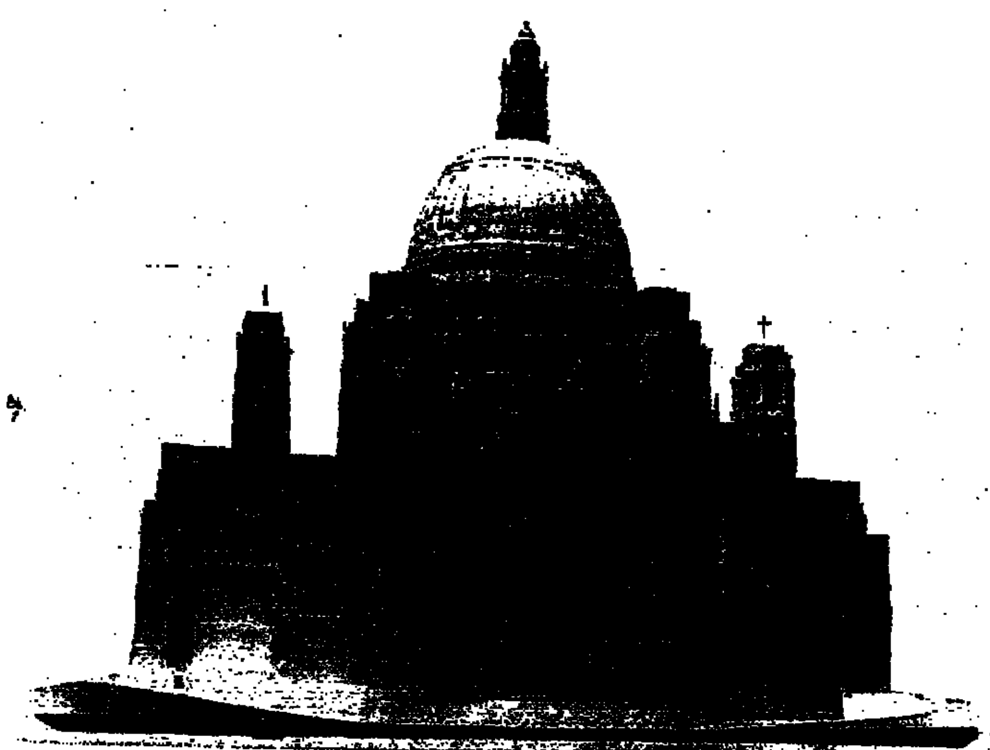
* * *

FAIRCLOUGH BUILDING has won orders valued in excess of £23m.

Largest of them - worth £9m - is for the contruction of the Carlton Lanes shopping centre, new market hall and open market area in Castleford, West Yorkshire.

Continued on Page 31

ARTS



Lutyens's model for "the finest Roman Catholic Church in Christendom", as it was (left). Now it is in urgent need of repair (right)

ARCHITECTURE

Liverpool's lost cathedral . . .

Colin Amery extols the model of Lutyens's great unbuilt masterpiece

Architectural history is not always told by completed buildings. It is part of the nature of architectural development that ideas grow through competitions and designs for schemes that are not necessarily built. Historians are wise to look at unbuilt projects because they often contain the seeds of genius that may have been circumscribed by the reality of making a building.

In Liverpool at the moment there is an opportunity to see one of the greatest unbuilt buildings in English architectural history. The Walker Art Gallery, now part of the National Museums and Galleries of Merseyside, has on display the model of the Roman Catholic Cathedral of Christ the King designed by Sir Edwin Lutyens. It has been described as the greatest surviving architectural model in England next to Wren's St. Paul's. In March there will be an unusual opportunity to compare the two model achievements as the Royal Academy will, as part of their exhibition *Sir Christopher Wren and the Making of St. Paul's*, move the great model from the crypt of the cathedral for closer examination in the context of the Wren exhibition. Alas, Liverpool's model is really in no fit state to travel as it is in need of substantial repairs.

I cannot think of a better cause for which to have an appeal because the sum needed is a modest one, £75,000, and the results of the conservation and repair of this amazing model will be lasting and spectacular. The Walker Art Gallery is brave to have launched the appeal and it is, I am told, already receiving local support in Liverpool. It deserves national support.

Lutyens's cathedral designs occupied him from 1929 until his death in 1944. Sadly only the crypt of the cathedral was built. The great project was abandoned in 1940 and the extraordinary conical cathedral designed by Sir Frederick Gibberd, as a result of a competition in 1959, was built on top of part of the Lutyens's crypt.

When Lutyens was being considered as the cathedral's architect, he much enjoyed his first meeting with the Archbishop of Liverpool, Dr Downey. In a letter Lutyens wrote, "I went to Liverpool and arrived just before lunch. I was shown into a dull-gloomed room, and waited, feeling nervous and rather shy, till in came His Grace – a red biretta on his head and a voluminous sash around his ample waist. He held out a friendly hand. His pectoral cross swung towards me, and the first words he said were 'Will you have a cocktail?'"

After this promising start the Archbishop was to ask Lutyens to design not just a cathedral, but the greatest modern Roman Catholic Church in Christendom, second only to St. Peter's in Rome. When Lutyens walked on Brownlow Hill, to be the site of the great cathedral, he saw in his mind's eye the kind of building he wanted to create. "A gathering up of all that men can do, with fifty roofs, blank walls like precipices and round arch after round arch, architrave after architrave . . . it has the experience, growth and intensity of knowledge, all caught up in one unity. It conquers the site upon which it stands."

There is no doubt at all that in the model this high ambition is realised. One of the most perceptive writers and critics on the subject of architecture, Sir John Summerson, has often written about the unbuilt cathedral. It embodies for him that finest architectural quality – a correlation of outside and inside. This in completely unlike St. Paul's, where Wren has placed an interior beneath the dome which is not reflected on the outside. Lutyens's dome soars upward from the lower parts of the building in a remarkable unity. *Summerson's praise is remarkable*: "The question whether a building can assume a place of authority in the world of architecture without actually being built is a curious one; but the answer is not in doubt. Lutyens's cathedral will survive as the latest and supreme attempt to to embrace Rome, Byzantium, the Romanesque and the Renaissance in one triumphant synthesis."

This high praise is truly born out by the experience of seeing the model and studying the plans. It provides an intellectual and architectural experience that is hard to match. This greatest model of the 20th century was made by Thorp Modelmakers and it is also a tribute to their craftsmanship. It is 17 feet long and 13 feet high and has every detail of the exterior is carved. Twelve craftsmen worked on the model, which was exhibited at the Royal Academy in 1934 and then toured around the country to raise funds for the building of the cathedral. It ended its tour in the magnificent surroundings of St. George's Hall, Liverpool. It has been displayed at the Liverpool University School of architecture and then was looked after by the Catholic Cathedral authorities until they presented it to the Walker Art Gallery. The restoration work is needed because the model suffered severe damage from intruders as well as the ravages of time.

I doubt whether we yet really realise the artistic importance of the model. Architectural models of this scale and detail are very rare. There are some in the Vatican, the museum at Augsburg, and a few modest ones in the RIBA collection. The impact of the newly made Palladio villa models when they were shown at the Hayward Gallery remains unforgettable and there is no doubt that the impact of the restored model of Liverpool cathedral will make an even more memorable impression. The Walker Art Gallery is prepared to continue to house the model safely or it could find a resting place in Lutyens's crypt.

The appeal is being organised from Liverpool, and gifts may be sent to Edward Morris, Walker Art Gallery, William Brown Street, Liverpool, L3 8EN, (051-207 0001 – cheques being made out to NMGM-Lutyens' Model Appeal). At this time of need for tax efficient sponsorship, major sponsors can contact the development officer for information.

Les Pêcheurs de perles

OPERA-COMIQUE, PARIS

After the impersonal and unsatisfying vastness of the Bastille, the relaxed Sunday-afternoon intimacy of the Opéra-Comique offered welcome and special pleasures. The latest arrival there is a new production of *Les Pêcheurs de perles*, directed for the stage by Antoine Bourseiller, and conducted by Patrick Fournillier in what is claimed as a restoration of the original 1863 version of the score, in Bizet's original orchestration.

These are deep and treacherous waters for a non-specialist, since the 1863 version of *Les Pêcheurs* was published only in vocal score, and the autograph full score has disappeared. It is easy enough to jettison the later "improvements", of which Godard's trio "O lumière sainte" is the best known; recovering the orchestration is trickier. The Welsh National Opera production in 1973 used an edition by Arthur Hammond that invoked the original vocal score to restore lost passages, and now Hervé Lacombe has tackled the instrumentation, using as guide what seems to be a conductor's *particell* in Bizet's own hand, discovered in the archives of the Opéra-Comique last year. It is the music of the third act that has been most signally affected, largely in matters of texture and balance.

Yet for someone who has heard *Les Pêcheurs* previously only in a much larger house, the immediacy and clarity of the performance in the Opéra-Comique was startling, whatever the provenance of Bizet's orchestration with its mixture of opulent impasto and chamber-music intimacy. Even though the orchestral playing was sometimes a little threadbare and the tempi rather deliberate, one heard every word; the balance between stage and pit never faltered, the music glowed.

The only disappointment is the new production, which turns this blameless little tale of love and intrigue into a study in post-colonial guilt. In Bourseiller's staging and Oskar Gustin's abstract, metallic designs, Ceylon in timeless antiquity is transformed by implication into India under the Raj; from the moment the curtain rises the High Priest Nourabad is onstage controlling events. He is white, wears a pinstripe suit and bowler hat, and carries about a massive golden briefcase. There doesn't seem to be much fishing going on – there isn't even much sign of the sea – but his interests in the local people are clearly intended to be economic and exploitative. It is in his interest to ensure the natives do notbecome restless, hence his keenness for Leïla to keep her vows.

Once the point has been grasped, its tendentious underlining becomes merely tedious. Neither can Fournillier trust the music to hold the audience's attention for more than ten seconds, so there is a continual parade of spurious mimes: while Nadir and Zurga launch into "au fond du temple saint", for instance, Leïla wafts by in the background, making nonsense of her arrival *en pirogue* (what boat?) a few moments later; dancers constantly snake in and out of the action, getting in the way of the chorus and cluttering up the action.

It is pity, because the performances are at least decent, even if there were no great voices in the cast I heard. Leïla was taken by the Korean soprano Jungwon Park, a little impassive and statuesque, which was not always appropriate, but getting round her arias with efficient clarity. The remaining principals were Francophone and it showed. Patrick Vilet's creepy Nourabad, shaven headed (perhaps the bowler kept him warm), was elegant of phrase if a little shallow of tone; the Nadir of Gérard Garino was impulsive and attractive enough to make one forgive his falsetto at the end of "je crois entendre encore", Marcel Vanaud's Zurga boisterous, firm and passingly noble. But the sum was always better than the parts, and one can get away with much in that lovely theatre that a larger house would mercilessly expose.

Andrew Clements

Les Pêcheurs de perles: Jungwon Park (Leïla), Marcel Vanaud (Zurga) and Gérard Garino (Nadir)

The Gospels

GLASGOW CITIZENS

The National Theatre of Brent did it. Franco Zeffirelli did it. Alec McCowen did it. So why not the Glasgow Citz too? Still, my soul did not soar at the prospect of *The Gospels* in Glasgow.

I am a sucker for *Parsifal* and the *Matthew Passion*, but I do not think The Jesus story gains by being re-enacted onstage. I dread religious doctrine as theatrical fare and I loathe the idea of the world's best-known story being a vehicle for Great Performances.

Surprise. *The Gospels* – adapted and directed by Giles Havergal – works well, is a fresh mix of tradition and modernity, and draws more attention to its text than to its players.

This is the Gospel according to Brecht. Six players in street-clothes take turns with the narrative, and each plays many parts, never making any sharp switch into with fully realistic characterisation.

Thus Sandy Welch, for example, will say the whole verse of "and Zacharias said unto the angel, Whereby shall I know this? for I am an old man, and my wife well stricken in years".

Jesus is the one role taken by more than one player – indeed by all four men and two women, with the judicious effect of keeping him multi-faceted and changeful.

It is Welch, however, who has the arduous task of delivering the entire Sermon on the Mount and making it sound considered but fresh.

He, Anne Myatt and Tristram Wymark succeed best in putting over the familiar text; Debra Gillett's way of acting spontaneity is rather *Blue Peter*.

There are a few props – a packing-case for Joseph's and Mary's flight, a shower of green fronds for Palm Sunday. A large map of Israel fills on the back wall, and fine effects of lighting – as when, for the *Transfiguration*, bright white light turns them into silhouettes. Background sound is used occasionally, though it is often indistinct.

The text is the particular risk taken by this production, for it's the authorised version, no less, or King James Bible. It works excellently. The actors deliver it with spontaneity, fairly briskly and with none of the incantatory deliberation usually reserved for readings from the good book.

The language, of course, is a continual pleasure, whether the quaint lines such as "they were astonished with a great astonishment" or the rich supply of imagery – the voice crying in the wilderness, the lamb of God, the light of the world, the sowing of the seed, *the strait gate*.

There are purist objections I could raise. No effort is made to distinguish one gospel from another.

Couldn't one set the four against each other for contrast, like the three tales in *Rashomon?* There are omissions – Lazarus, Mary and Martha, for example.

However, there are many gains. Part one ends with the Sermon on the Mount; part two soon reaches Christ's even more radical and far less familiar speech about "man's foes shall be those of his own household". Part one begins, by the way, with the simple sublimity of "in the beginning was the word" and, when the full story is over, part two ends by repeating that same *opening*.

There is one important omission. Even I, a non-believer, should have liked to have heard that great line about "Lord, I believe – help thou my unbelief."

Alastair Macaulay

Young Writers' Festival

THEATRE UPSTAIRS, ROYAL COURT

It is hard to know how much *Sally's Suspected* by Jenny Ward and Jennie Langford owes to the guidance on rewriting from Max Stafford-Clark, the artistic director at the Royal Court. It certainly owes something to an excellent cast, but I doubt if anyone would guess that the authors are aged 11 and 10 respectively.

Sally's Suspected is the first of a triple bill currently showing at the Royal Court's Theatre Upstairs as part of the Young Writers' Festival sponsored by Marks & Spencer. I am tempted to say that it is also the best. It has imagination and freshness. A young girl, played by Cecilia Noble, runs away from home while the house is being burgled. She catches up among other things with a pantomime horse and a potential lover. All is well in the end, but was it a drama or is it real? The piece lasts for only about 20 minutes. Where it scores is in not seeming derivative of television drama: it has humour, not violence. The girl goes briefly to heaven where she meets a man with a large "G" on his pyjama jacket.

Paul Tucker's *Happy Days are Here Again*, the second in the bill, suffers from a feeling that we have seen it all before. Here is discontented youth in Leicester complaining about being bored. Perhaps as a result of the economic boom of the late 1980s, it is not unemployment nor shortage of money that depress them, but the dreariness of their jobs and the lack of opportunities for further advance in the inner city. Here is a sign that the theatre can adapt to the times. No-one rants at Mrs Thatcher or her successor, but the play lacks imagination. Tucker is 19 and could learn from his juniors about how to construct a play with some form. That said, *Happy Days* starts promisingly with a young boy at home with his parents; only afterwards does it wander off.

A Pig in a Poke by the 25-year-old Julie Everton is an altogether more ambitious piece that takes up half the performance. It is, in part, gruesome, but it is not outrageously so. Anyone who has teenage children nowadays may have noted a growing aversion to eating meat, which is what this play is about. The father works in a slaughter house, but insists there is "a very nice product at the end of the day". A half-human, half-pig emerges from the fridge. The teenage daughter is beautifully played by Moya Brady, who in the first piece is no more than the front end of the horse. All the performances are good, and one cannot praise the Royal Court and Marks and Spencer too highly for keeping the festival going. The food in *A Pig in a Poke* arrives in a St Michael's bag.

Malcolm Rutherford

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Ken-ichiro Kobayashi conducts Netherlands Philharmonic Orchestra in Shostakovich's Fifth Symphony, with Jean-Yves Thibaudet soloist in Ravel's Piano Concerto in G. Tomorrow: song recital by Olaf Baer (718345)

BERLIN

Staatsoper unter den Linden 20.00 Vogler Quartet plays string quartets by Bartok, Mozart and Verdi. Tomorrow: Claus Peter Flor conducts Der Freischütz, with Magdalena Hajossyova as Agathe and Reiner Goldberg as Max. Fri: Peter Schreier conducts Le nozze di Figaro (2004 762)
Deutsche Oper 20.00 Madama Butterfly. Tomorrow: Gunter Kramer's new production of Die Entführung aus dem Serail (3410 249)
Deutsches Theater Kammerspiele 19.30 Ibsen's John Gabriel Borkman (2871 226)
Schiller Theater Werkstatt 20.00 Macbeth (3195 236)

BUDAPEST

State Opera 19.30 Rico Saccani conducts a symphonic programme with the Budapest Philharmonic Orchestra. Wed: Manon Lescaut. Fri: Erkel's Bank Ban
Academy of Music 19.30 Hungarian State Symphony Orchestra conducted by Geza Oberfrank play music by Bartok, Ravel and Mussorgsky. Tomorrow: Mozart programme with the Ferenc Liszt Chamber Orchestra
Museum of Music History 19.30 Recital by the violinist Balazs Szokolay, pianist Orsolya Szokolay and soprano Ingrid Kertesi
Pre-booking at Philharmonic booking office, Vorosmarty ter 1

LONDON

DANCE
Covent Garden 19.30 Triple bill including Kenneth MacMillan's new ballet Winter Dreams, music by Tchaikovsky, with Anthony Dowell, Viviana Durante and Darcey Bussell, also Fri. Wed and Thurs: Manon (240 1066)
MUSIC
Royal Festival Hall 19.30 Hong Kong evening: a concert by outstanding young soloists born in China and Hong Kong, accompanied by London Mozart Players. Tomorrow: Bryden Thomson conducts London Philharmonic in Walton, Elgar and Rakhmaninov (928 8800)
Queen Elizabeth Hall 19.45 Dinstinguished British soloists and chamber musicians take part in a gala concert in aid of St George's Hospital. Tomorrow: London Chamber Orchestra plays music by Elgar, Britten and Vaughan Williams (928 8800)
Barbican Centre 19.45 Recital by James Galway accompanied by Phillip Moll. Wed: Colin Davis conducts Mozart with the English Chamber Orchestra (638 8891)
THEATRE
This week's shows include The King and I starring Susan Hampshire (Sadler's Wells). What the Butler Saw by Joe Orton (Wyndham's). Sharman Macdonald's new play All Things Nice (Royal Court). Pinter's The Homecoming directed by Peter Hall (Comedy). Anouilh's The Rehearsal (Garrick). Durrenmatt's The Visit (National) and Christopher Hampton's new play White Chameleon (National). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MILAN

Teatro alla Scala 20.00 Alban Berg Quartet plays string quartets by Mozart and Bartok. Wed and Sat: Lorin Maazel conducts La Fanciulla del West, with Mara Zampieri as Minnie. Fri: new production of Cherubini's Lodoiska, conducted by Riccardo Muti and staged by Luca Ronconi (7200 3744)

MUNICH

Staatsoper 19.30 Gala evening with Sylvie Guillem dancing Bolero, Evelyn Hart and Dinko Bogdanovic in Jiri Kylian's Nuages, Eugene Fleming's tap-dance group from New York and other guests, together with soloists and ensemble of Bavarian State Ballet. Repeated tomorrow (221316)
Kammerspiele 20.00 Thomas Bernhard's Der Theatermacher (23721 328)
Prinzregententheater 19.00 Brecht's Der gute Mensch von Sezuan (225754)

NEW YORK

MUSIC
Carnegie Hall 20.00 Mstislav Rostropovich conducts National Symphony Orchestra of Washington in Mahler's Kindertotenlieder with Hakan Hagegard, also Tchaikovsky's Second Symphony (247 7800)
Metropolitan Opera 20.00 Susan Dunn and Luciano Pavarotti head the cast in Luisa Miller conducted by Nello Santi, also Fri. Tomorrow: Fidelio. Wed and Sat: La bohème with Placido Domingo as Rodolfo (362 6000)
THEATRE
This week's shows include Falsettoland, William Finn's musical featuring a Bar Mitzvah in the hospital room of a man dying of Aids (Lucille Lortel). Assassins, Stephen Sondheim's new musical (Playwrights Horizons), Shogun: The Musical, which boasts an earthquake among a string of spectacular effects (Marquis) and Six Degrees of Separation, new play by John Guare (Lincoln Center). Ticketron (239 6200) answers inquiries and sells tickets

PARIS

MUSIC
Centre Georges Pompidou 20.30 Jukka-Pekka Saraste conducts Ensemble InterContemporain in Stravinsky's Dumbarton Oaks, Ligeti's Cello Concerto (with Pierre Strauch), Anders Eliasson's Concerto for bassoon and strings (with Pascal Gallois) and the world premiere of a work by Magnus Lindberg. Also Wed (4260 9427)
Opéra Bastille 19.30 Graham Vick's production of Un re in ascolto, with Donald McIntyre, Graham Clark and Edda Moser. Last performance Wed (4001 1616)
TMP-Châtelet 19.00 John Alldis conducts Groupe Vocal de France in music by Ravel, Berlioz, Florent Schmitt, Debussy and Milhaud (4028 2840)
Theatre
Comédie Française 20.30 Beaumarchais' Le mariage de Figaro, also Thurs and Sun. Tomorrow and Fri: new production of Moliere's Le Malade imaginaire (4366 4360)
Théâtre des Bouffes du Nord 20.30 Peter Brook's production of The Tempest. Runs till March 2 (4607 3450)

PRAGUE

This week's events include Rigoletto at the Smetana Theatre (tomorrow); a concert by the Prague Symphony Orchestra conducted by Juozas Domarkas at the Smetana Hall (Wed), with Tchaikovsky's Fifth Symphony heading the programme; a performance of Dvorak's Stabat Mater by the Czech Philharmonic Orchestra and Prague Philharmonic Chorus conducted by Jiri Belohlavek (Fri); the Bartered Bride at the National Theatre (Fri); and Vaclav Havel's play The Garden Party at the Nova Scena (Sat). Pre-booking at Sluna ticket agency, Wenceslas Square 28

ROTTERDAM

De Doelen 20.15 Chorus and Orchestra of the Netherlands Bach Society in a programme of Mozart and Haydn. Sat and Sun: John Mauceri conducts Strauss and Wagner programme with Rotterdam Philharmonic Orchestra and Jane Eaglen soprano (413 2490)

UTRECHT

Vredenburg 20.15 Reinbert de Leeuw conducts Schoenberg Ensemble and Netherlands Chamber Choir in Frank Martin's Le Vin Herbe. Wed: piano recital by Lazar Berman (314544)

VIENNA

MUSIC
Staatsoper 19.30 Il trovatore with Franco Bonisolli, Piero Capuccilli, Gabriele Lechner and Ludmila Shemchuk, also Sun. Tomorrow and Fri: Felicity Lott sings Arabella (51444 2960)
Volksoper 19.00 La Cage aux Folles. Wed: Die Zauberflöte. Thurs: Entführung (51444 3318)
Konzerthaus 19.30 Piano recital by Leonid Brumberg with music by Haydn, Brahms, Ravel and Liszt. Tomorrow: Pinchas Steinberg conducts Bernstein and Gerswhin (7124 6860)
THEATRE
Burgtheater 19.00 Kleist's Der zerbrochene Krug (51444 2218)
Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

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The interest rate dilemma

INTEREST RATES in the UK will be cut. The questions are when and how far. The prime minister's view is that as inflation falls, sustainable reductions in interest rates will be possible. But the chancellor of the exchequer has also said that Britain's "overwhelming priority must be to stick within the bands of the ERM". The government's hope is that inflation will fall, sterling strengthen and "sustainable" cuts in interest rates be made. Is this fond hope or a story in which jittery backbenchers should put their trust?

That inflation will fall, and fall swiftly, is probable. Producer price inflation has fallen, for example, from a 12-month rate of 6.3 per cent last June to 5.8 per cent last December. Retail price inflation, too, is on the turn at last.

The latest unemployment figures were released on the first day of the Gulf war. Otherwise, they would have received far more attention. The seasonally-adjusted increase in unemployment in the month to December 13 was 80,000, an annual rate of almost 1m. Unemployment could be closing on 3m by the end of the year.

A deep recession is suggested, above all, by monetary developments. If the government still paid attention to its old favourite, narrow money (M0), it would already have cut base rates sharply, for the annual growth is well within its target range.

Famine imposed

Meanwhile, the long spurned – but far more significant – broad money (M4) saw its 12-month growth rate fall from 18 per cent last April to 12 per cent last December. In the final quarter of 1990, M4 was growing at an annual rate of only 7 per cent. Financial intermediaries, so recently the providers of a feast, are now imposing famine.

Given the lag between changes in monetary policy and changes in inflation, disinflation would continue for at least a year even if interest rates were to be cut soon and far. No wonder lower interest rates are the prayer of businessmen and backbenchers.

Happily for them, markets predict lower rates. According to the futures markets, three-month sterling interest rates will be 12.8 per cent next month and 11 per cent by September. Meanwhile, the forward market predicts sterling's spot value a year ahead at around DM2.82, still within sterling's band against the D-Mark. A two-point reduction in base rate to 12 per cent by the end of 1991 should be consistent with an exchange rate within the present sterling band (if the peseta were driven down at the same time).

Yet Mr Major is right to sense that any interest rate reduction will be risky. Sterling is the weakest currency in the exchange rate mechanism and close to its floor against the peseta. Interest rate cuts of one percentage point by March and two percentage points by September look plausible, but much more does not. The government could find itself in a nightmare next autumn: real interest rates at 6 per cent or more, even though the economy is mired in recession and an election looming.

Benign escape

The nightmare can be escaped in two ways: one benign and one malign. The benign way would be for the government to gain the credibility it seeks. The prime minister would be wrong, however, to believe that lower inflation alone must do the trick. Currencies with low inflation are not strong at all times, least of all when markets believe that lower interest rates have become a political and economic imperative. Mere protestation is also insufficient. The path to devaluation is paved with protestations of good intentions. An independent Bank of England would be a better way to reinforce credibility – even a promise to enact it might help.

The malign way to escape would be to cut interest rates, regardless of the effect on sterling. The government's problem is that the cost of making credible its determination not to take this route is getting ever higher – so high, in fact, as to make the determination itself less credible.

The virtuous circle of interest rate cuts and a robust currency remains conceivable. But the government's fate is in the hands of the foreign exchange markets, with sterling tied to the world's strongest major currency, but vulnerable to the decline of the world's most important currency. Modest interest rate cuts look both feasible and appropriate. Beyond that only the economy's gloomy short-term fate is clear.

Lessons of the Conti battle

THE excesses of the Anglo-Saxon merger wave of the late 1980s have prompted critics to point approvingly to Germany as a model of how to do things better. The country's economic record undoubtedly supports the view that firm control and support by committed long-term shareholders are more conducive than the threat of a hostile takeover to sustained industrial performance.

However, the power struggle which has developed between Pirelli of Italy and Continental, Germany's leading tyremaker, also suggests that the German model is not flawless. Having been rebuffed in an attempt at a friendly merger, Pirelli has resorted to aggressive takeover methods to gain control of Continental. After some apparent wavering, Deutsche Bank, Continental's lead banker, has set about mounting a defence of the German company which involves the country's main automotive groups agreeing to purchase Continental's shares. Ironically, the defence is being orchestrated by Morgan Grenfell, the London merchant bank acquired by Deutsche last year and well known for its racy deal-making.

Hollow ring

It is not necessary to condone Pirelli's tactics to feel uneasy about the German response. Attempts to justify it on industrial grounds, notably the claim by German car makers that they are seeking to preserve competition in the supply of tyres, have a hollow ring. Rather, the overriding concern appears to be to keep Continental in German ownership. Quite apart from conjuring up overtones of a "Fortress Germany", which sits awkwardly with the goal of increased European integration, that outcome may not serve Continental's own interests.

In the past few years, growing excess capacity has forced the world tyre industry into extensive restructuring, which has consolidated production in the hands of a few, large producers. That process seems likely to be pushed further as vehicle markets continue to weaken. By closing ranks around Continental, the German business community risks rejecting an opportunity for a merger which could offer improved scale economies and a good business "fit".

Questionable results

There have been other recent instances when corporate Germany's closely interlocking networks of control, usually centred on its commercial banks, have produced industrially questionable results. The most obvious is the encouragement given to Daimler-Benz by Deutsche Bank, its largest shareholder, to diversify boldly into aerospace, defence and electronics. Some German industrialists believe Daimler has bitten off more than it can chew and worry about the consequences for the company's core automotive business.

None of this is to deny the obvious successes of a system which has produced world-beating large suppliers in sectors such as cars and chemicals and an immensely strong and resourceful tier of smaller, family-owned companies. However, the system's achievements need to be kept in perspective. Alongside the star turns in Germany's small quoted sector are several big companies whose sluggish record scarcely suggests that their managements are under strong pressure to perform. Furthermore, the vigour of Germany's small and medium-sized companies probably owes as much to the commitment and skill of their owner-managers as to the support provided by their banks.

The principal lesson of the Continental affair is that the German model could use a breath of fresh air. Any system which relies heavily on exclusive and mutually-reinforcing relationships risks becoming in-grown. Germany's business community needs to guard against the danger that the defence of the system becomes an end in itself, at the expense of wider considerations.

Kevin Done and **Robert Taylor** report on the hard decisions taken to improve the efficiency of Saab's car operations

Skid on road to more productivity

General Motors is wasting little time in attacking the severe crisis facing Saab Automobile, the Swedish car maker, in which it acquired a 50 per cent stake and management control little more than a year ago.

Saab Automobile's decision on Friday to close its Malmö assembly plant in southern Sweden, one of the newest final assembly facilities in Europe, opened only 16 months ago, should work quickly to ease the company's heavy burden of overcapacity and help cut losses which last year (before extraordinary losses) were running at SKr34,859 (£3,210) a car.

At the same time, however, the closure threatens to have a purgative effect on the whole of Swedish industry, which is struggling to cope with recession and the looming competitive challenge of entry to the European Community.

It could also put an end to Sweden's experiments in developing more "worker-friendly" ways of making cars by replacing the classic assembly line, for which the Malmö plant was the latest show-case.

The reverberations of closing such a new plant – built with explicit state encouragement – may re-write the rules for acceptable corporate behaviour in industrial restructuring in Sweden.

It is significant that the closure move has been made by a large multinational corporation only recently arrived in Sweden, a country rarely exposed to the rigours of foreign inward investment and whose domestic policies are still somewhat isolated from the harsher back-wash of the world economy.

"With entry to the European Community quite a lot must change in industrial Sweden or we will not be competitive," admits Mr Kai Hammerich, an executive vice-president of Saab-Scania, which still holds a 50 per cent stake in Saab Automobile alongside GM.

Egalitarian Swedish employment policies have led to a 'tremendous compression' in wage differentials

"We must take a lot of rough and tough decisions to improve productivity. The terms of this decision would have been impossible two years ago."

The closure of the plant in Malmö, Sweden's third largest city, is a big blow to Swedish industrial policy. It could hardly have come at a worse time for the country's Social Democratic government, which is already facing a difficult general election in the autumn with its popularity at a low ebb.

The government enticed Saab at the beginning of 1986 with the offer of state subsidies to locate the plant at Malmö in order to cushion the blow of the closure of the city's Kockums shipyard, Sweden's last merchant shipbuilding facility and once the world's biggest maker of supertankers.

Saab-Scania – one of Sweden's blue-chip industrial corporations with interests in trucks, aerospace and defence – decided to seek a partner for its beleaguered car operations, in the second half of 1989 in belated recognition that it was too small and isolated to compete effectively in the harsh world of the global car industry.

GM knew it was taking on a stiff challenge with Saab at a time when it already had more than enough home-grown problems of failing competitiveness on its plate in North America. Even the world's biggest car maker has been taken aback, however, at the low level of productivity being achieved by Saab at its three assembly plants at Trollhättan and Malmö in Sweden and at Uusikaupunki in Finland.

That Sweden with a population of only 8.5m can still boast two of the world's most successful truck makers, Volvo and Scania, and two car makers is itself a tribute to the past levels of engineering and industrial excellence achieved by such a small country.

The experiences in the last 13 months of the top management appointed by GM Europe to lead Saab Automobile point, however, to the scale of the challenges now facing the country's car makers.

Many of the problems were obscured in the mid-1980s by the windfall profits earned by Saab and Volvo in North America thanks to an inflated US dollar. They are now being mercilessly exposed by the weakness of the US dollar and the impact of inflation, recession and high interest rates at home, as well as by fundamental weaknesses in the Swedish industrial structure. (Volvo's car operations also plunged into loss last year).

It is a big problem. On Friday Saab Automobile revealed:

- losses last year of SKr 4.64bn, including extraordinary losses of SKr1.39bn, compared with a Saab car division loss of SKr2.13bn in 1989 and profits of SKr11m in 1988, SKr579m in 1987 and SKr941m in 1986;
- the need for a financial restructuring with two thirds of the risk-bearing shareholders' equity of SKr6.9bn wiped out by last year's losses;
- a drop in car production last year by 15.7 per cent to 87,356 from 103,591 in 1989 and a peak of 134,112 in 1987.

Given that GM has decided it can build all the cars Saab needs at the main plant in Trollhättan, why did Saab-Scania decide in 1986 to build the Malmö plant at all?

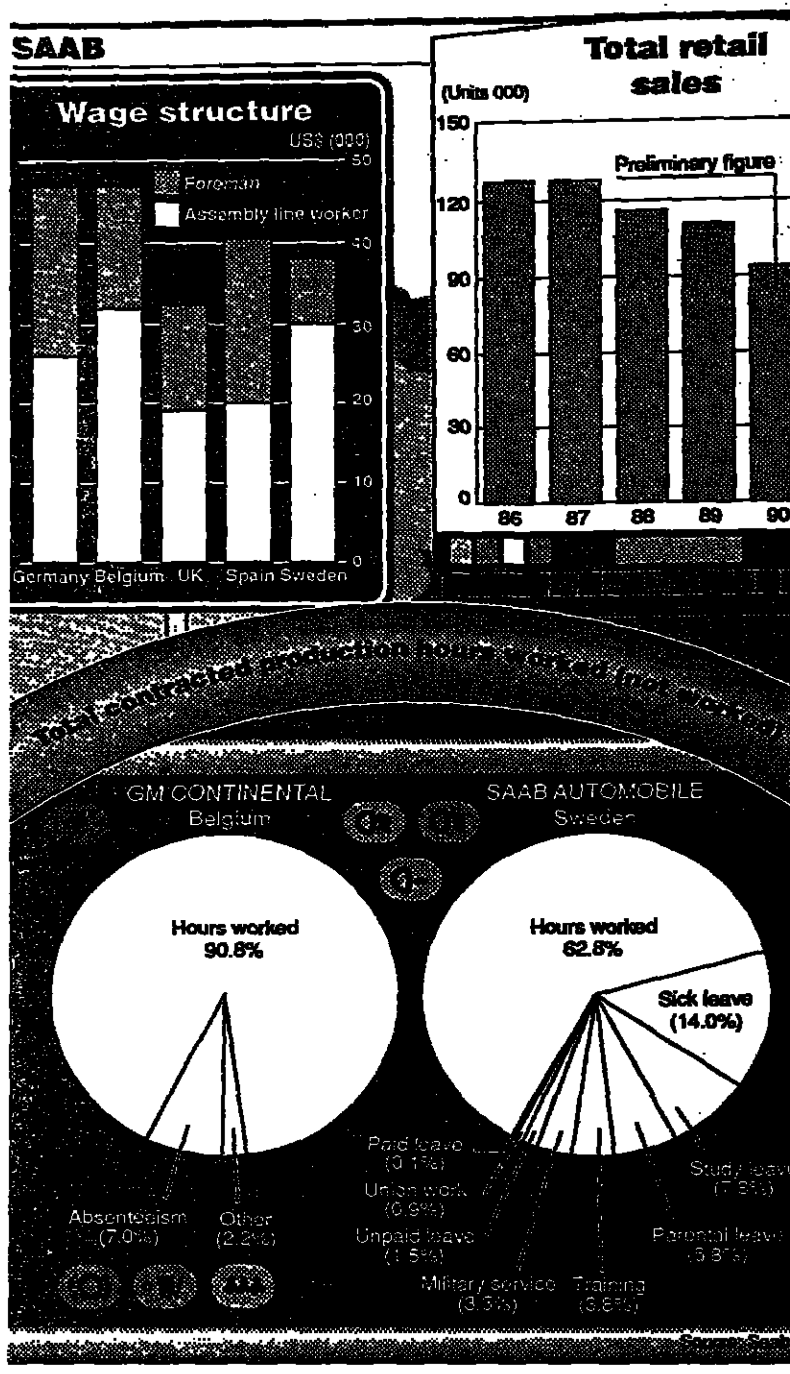
Undoubtedly part of the explanation lies in the changed economic environment and the steep fall in sales Saab has suffered – 93,231 last year from a peak of 127,180 in 1986 – with a particularly sharp decline in the US. By contrast, in 1986-87 Saab could not build enough cars to keep up with demand and it was projecting sales rising to between 150,000 and 180,000 by the mid-1990s.

It embarked on the investment at the peak of the cycle as part of a strategy aimed at establishing a capacity for producing 180,000 cars a year.

More significantly, however, it embarked on the Malmö project, because it found itself incapable of wringing from the Trollhättan plant the productivity needed to increase output. Isolated as a small car maker on the rim of Europe – and comfortably cushioned by its inflated US dollar earnings – it did not understand the productivity achievements of the rest of the world car industry.

"The productivity at Trollhättan was so poor at well over 100 hours per car, that you could not find enough people locally to build them," says Mr David Herman, the GM executive appointed a year ago as president and chief executive of Saab Automobile.

Last year Saab produced 87,356 cars spread across three plants – Trollhättan, Malmö and Uusikaupunki. At best the Trollhättan plant produced 61,576 cars in 1986. Mr Herman maintains that it alone should be capable of producing 125,000-150,000 cars a year. "On the floorspace here the Japanese would do 250,000 if they wanted," he says.



In a speech last month in Detroit he highlighted the particular problems of car-making including:

- very high rates of labour turnover – and therefore wasted investment in training;
- high absenteeism;
- obstructive management hierarchies and weak middle management;
- narrow wage differentials and policies for wage solidarity across sectors.

Saab Automobile says that it is forced to train for 20 per cent natural wastage rates, the highest in the OECD. Less than a third of the hourly paid workers hired five years ago still work for the company.

At the same time, "only 62.8 per cent of the total contracted hours available from hourly people technically on our rolls are worked," says Mr Herman.

"Some absence such as for military and parental leave are legally required and reflect Swedish labour and social philosophy. But the fact that 7.8 per cent of time is used for non-automotive study, while being part of a government plan, imposes a serious administration burden on us and detracts from career value and commitment to our industry."

By contrast total absence at GM's Antwerp plant, which is good by European standards, is less than 10 per cent.

Egalitarian Swedish policies for wage distribution have led to a "tremendous compression" in wage differentials, he claims.

In all the world's leading vehicle-making countries auto workers are better paid than the average for manufacturing industry, except in Sweden. At the same time the difference in base salaries between assembly line workers and foremen is by far the lowest in Sweden at about 25 per cent, compared with more than 100 per cent in Spain, 65 per cent in the UK and Belgium, and 85 per cent in Germany.

The impact measured in hours per car is startling. According to Mr Herman, at Saab at the end of 1989 "well in excess" of 100 hours were required to produce a car, compared to the 40-45 hours required by a good European plant building a mix of premium cars and less than 30 hours required by a Japanese plant.

He maintains that the number of hours per car at Saab has already been reduced to around 85, and that it will be down to 60 by the end of 1991; on the face of it an improvement of more than 45 per cent in productivity in two years. Much of the early gain came from nothing more complicated than shedding already surplus labour, however.

Apart from the Malmö closure Saab has taken a series of other measures aimed at improving productivity and cutting losses, including the shedding of labour. The Saab Automobile workforce worldwide is being cut by about 32 per cent over two years – from 17,000 at the beginning of 1990 (when GM took over management control) to a planned 11,500 at the end of 1991.

Mr Herman accepts that truly competitive productivity levels can only be reached as Saab replaces its current products with modern designs developed for "ease of manufacture".

While GM is a newcomer at tackling Swedish industrial problems, Swedish companies' acquisitions in the EC over recent years underline the recognition that their viability rests more than ever on integration into the wider western European market, and that this will mean an adaptation of Swedish industrial culture to take account of commercial realities.

Later this month, Mr Rune Molin, industry minister, is expected to unveil a new industrial strategy for Sweden. This will contain a strong element of dirigism by the state but it will also involve proposals to change the existing system of share ownership that has made it difficult for foreign companies to acquire a controlling stake in Swedish private enterprise.

The initiative comes with Sweden in the grip of a severe recession. Last Friday, the Federation of Swedish Industries published the gloomiest forecast so far of industrial performance for 1991, suggesting a drastic 15 per cent drop in industrial investment, a 3-4 per cent drop in industrial output and the loss of 50,000 jobs in manufacturing industry.

In the past, Sweden has managed to avoid the worst effects of recession by creating jobs in its huge public sector, devaluing the currency to make the private sector more competitively export-oriented and through subsidies. None of these options is viable any longer.

This has come as a genuine shock to many Swedes who have suddenly begun to realise there is no isolationist way of out crisis at the expense of others. It will mean a recognition that the consensual style of management is not enough.

While Sweden deals with the immediate gloom of the Malmö closure, Mr Herman is convinced, however, that Saab is now on the right road. The recession may prolong the pain but he insists, "the business plan now looks fantastic. It's not a hockey stick, it's a straight line upwards."

OBSERVER

All change at BHP

■ It is rare for a couple of an industrialised country's half dozen biggest companies to share the same chairman, and rarer still if they are operating in the same industry.

But Australian businessmen have always played by their own rules, so the fact that the 65-year-old Sir Arvi Parbo sits as chairman of BHP and Western Mining, two of the top three Australian mining groups, is rarely mentioned.

However, the recent management reshuffle at BHP, Australia's biggest company, means that a more normal arms length relationship between two of Australia's most successful groups may soon be re-established. Brian Loton, BHP's chief executive for the last seven years, retires in May, and John Prescott, a 50-year old steel man, is taking over. The big question now is whether the 61-year-old Loton, who is staying on as a deputy chairman, will get the chairman's job when Parbo's three-year term expires in May 1992?

It is no secret that the forceful Loton wanted to combine the role of chairman and chief executive when Sir James Balderstone retired a couple of years ago.

However, BHP was having problems then with its two biggest shareholders, the late Robert Holmes à Court and John Elliott, and the board was reluctant to give one man too much power at such a sensitive stage in the company's history. Parbo, an Estonian refugee credited with much of Western Mining's recent success, was brought in as a caretaker chairman.

Prescott's promotion clears the way for Loton to succeed Parbo. But one possible stumbling block is Loton's support for BHP's unfortunate A$1bn investment in Elliott's Harlin, which is now technically insolvent. It is carried in the accounts at cost because it is considered that the value will be fully recovered. As time goes by this seems increasingly unlikely and a decision to write off the Harlin investment might also undermine Loton's chances for the coveted chairman's job.

Drug money

■ Who said that monopolies are a licence to print money?

BAT Industries' Souza Cruz subsidiary, which dominates the cigarette market in Brazil (population 144m) raised its market share in 1990 by a hefty 2.2 percentage points, to 81.9 per cent, and increased output. But it has just reported a 44 per cent drop in net profits, to 10.7bn cruzeiros(£24.2m).

Government price controls are the problem and if it had not been for Souza Cruz's other Brazilian businesses, this bit of the far flung BAT empire would have been in the red.

Head piece

■ Britain may be teetering on the edge of a slump, but Harpers & Queen, the fashion magazine for new money rather than old, is intent on maintaining standards during the economic decline. Next month's special offer is a diamanté tiara plus matching earrings designed by Butler & Wilson, custom jewellers to the stars.

As a financial concession, I am told that if you cannot afford the all-in-price of £112.50, you can pick up the tiara for just £85.

The other match

■ There will be not one, but two, Anglo-French rugby internationals in London on Saturday, March 16. The outcome of the first – an early morning battle between English and

"Had this terrible dream I was in the Gulf."

French parliamentarians at the Harlequins ground – promises to be even harder to call than the much bigger afternoon event at Twickenham.

The first hurdle facing Phillip Oppenheim, the Tory MP organising the English squad, is whether the opposition will turn up. He tried to coax them out once before by delivering tennis balls to the French Embassy. It did not work, and previous attempted internationals against opponents like the Irish Dail, have also had to be cancelled because of bad weather.

However, since the French, led by tourism minister Jean-Michel Baylet, made the initial overture this time, Oppenheim is reasonably confident that they will put in an appearance. Nevertheless, he is suspicious about the composition of the 40-strong squad the French are fielding.

Oppenheim, the 34-year-old son of Baroness Oppenheim-Barnes, is hoping half a dozen or so fellow MPs will turn out, including rugby league playing David Hinchliffe, plus a few lords. However, he is taking no chances and is bolstering his team with Alan Fox, the Harlequins captain, plus five or six ace players from outside Parliament.

"The important thing is the winning, not the playing", insists the Harrow-educated Oppenheim.

Times change

■ The Japanese principle that adherence to schedules such as transport timetables must come before all else, and the chilling lack of humanity that goes with it, have taken a public knock. The Citizen Watch company has given one of its Citizen of the Year awards to a bus driver who was late.

He is Yukio Kato, 48, of the Nagoya municipal bus company. Seeing a woman lying hurt in the street, he had the temerity not only to stop his bus, but to leave his route and drive her to hospital at the cost of a 10-minute delay.

Even so, shifts in cultural values do not come easily. When Nagoya transport officials heard of the award and the reason for it, they asked Citizen to withdraw it for fear that the public might be given the wrong message. Fortunately, the prize-givers changed the official mind, not least by pointing out that the driver's action had won unanimous community support.

Having inaugurated the award in Japan last year to mark its 60th anniversary, Citizen is thinking about doing the same in other places where it operates. If they include London, who better for the prize than a bus driver who ran on time?

Wrong target

■ Did you hear about the Iraqis arrested in the changing room of the Tottenham Hotspur football club?

They said they were under orders to acquire the Gazza strip.

Continued on Page 21

Late payment of bills is threatening the survival of many small companies, says **Charles Batchelor**

Long, costly wait for satisfaction

When Mr Rodney Manners' credit controller took time off recently, the finances of his £1m turnover company, Cotswold Coatings, received a severe jolt. "In two weeks the economics of the business went haywire," he recalls. "We got no money in. People just will not pay unless you make a real nuisance of yourself."

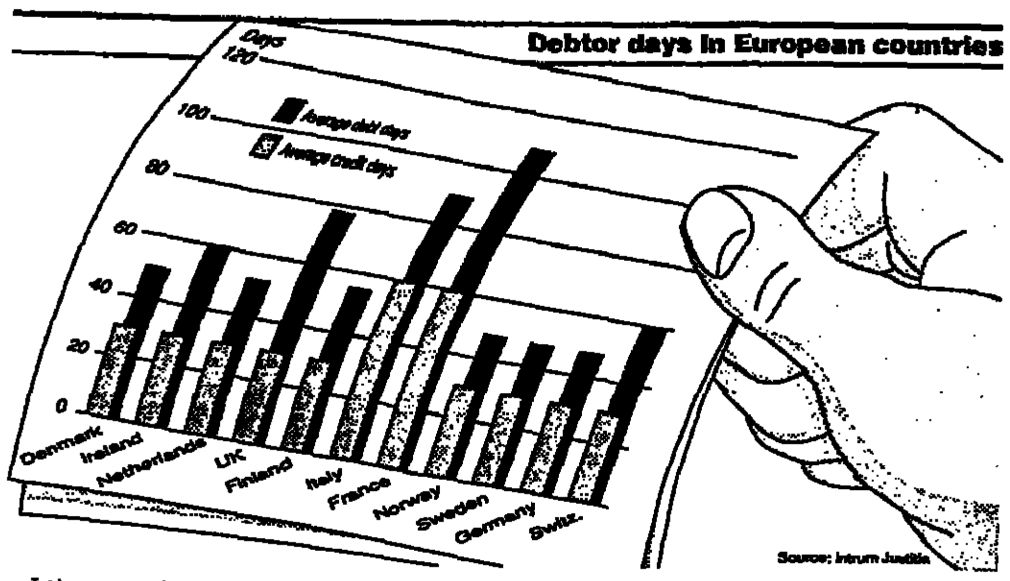
Even when the small Wiltshire-based company's debt-chasing system is fully operational the numbers make sobering reading. Cotswold Coatings waits an average of 60 days for its bills to be paid and currently has £180,000 worth of invoices outstanding. Late settlement of bills means the company, which makes powder coatings for industrial use, runs an overdraft of between £100,000 and £170,000 and the £25,000 annual bill for bank charges eats up a third of its profits.

On top of these expenses comes the annual cost of employing a full-time credit controller – around £15,000 – in itself a considerable addition to the wages bill of a business of just 28 people. Mr Manners calculates that he also devotes a fifth of his own time to chasing unpaid invoices.

Cotswold Coatings is not alone in its struggle to get paid on time. The problem of delayed payments is so bad that nearly one in five small and medium-sized businesses say that their very survival is threatened, according to a survey published last month by the Confederation of British Industry. The CBI was so shocked by these findings, which showed a marked worsening of the payments climate since its previous survey five years earlier, that it is considering throwing its weight behind small business lobbyists on this issue.

The problem is not confined to the UK although British companies suffer more than their counterparts in most European countries. British companies usually write payment terms of 30 days into their contracts but wait on average 78 days to receive their money. This compares with just 48 days in Germany and Sweden, according to a survey by Intrum Justitia, a credit management group. Small companies in Britain are owed a total of £60bn by their customers, the survey showed.

"My customers on the Continent have a totally different attitude to payments," comments Mr Martin Norman, company secretary of Bluemay, a UK manufacturer of plastic mouldings with turnover of £1m-£2m. "The Germans pay me within 30 days, the Dutch within 20 days."



Source: Intrum Justitia

Late payments are not a new problem for business but coupled with a slump in demand in many sectors of the UK economy and high interest rates – which encourage customers to delay payments until the last moment – they are now accepted as an important cause in the sharp increase in business failures.

And while small companies themselves are often guilty of delaying payments to their customers much of the criticism has centred on the poor payments behaviour of large companies. General Electric Company, the UK electronics group, has been criticised in Parliament for delaying payments for as much as seven months. Many large companies deliberately adopt a protracted payment procedure to improve their own cash flow, according to small business lobbyists such as Mr Stan Mendham, director-general of the Forum of Private Business.

The refusal of many big companies to pay more promptly gives the lie to claims that corporations have begun establishing closer, more supportive relationships with their smaller suppliers, the small business lobbyists claim.

The Forum of Private Business has campaigned for the past six years for a change in the law to give small businesses the automatic right to charge interest on overdue debts.

But the government has refused to introduce legislation, arguing that it would be difficult to frame with precision and would increase the burden of red tape on businesses. Government action has been limited to the publication of explanatory booklets with titles such as Prompt Payment Please! intended to persuade customers and suppliers to improve their payment and collection procedures. The CBI and other surveys show such exhortation has had little if any impact.

Coupled with high interest rates and the slump, late payments are now accepted as a key cause in the increase in business failures

There is no doubt however that many small businesses could improve their procedures for assessing credit risk; for publicising their terms and conditions of business; and for chasing up debts when they become due for payment. Few business people would be prepared to go as far as Mr Peter Verstage, managing director of London-based Mekvale Envelopes, who bought a wheel clamp to immobilise the car of one slow-paying customer, but many could adopt more conventional techniques.

Nevertheless, however diligent the small business owner is, he always runs up against the problem of offending his customers if he chases too hard for payment. Mr Wilf Dixon, founder of Executive Protection, a south London provider of security guards and electronic security systems, puts a clause in his contracts which allows him to charge 2 per cent a month on bills which are not settled on time. "But my customers sign 24 or 36-month contracts so I have never used it," he confesses. "If I tried to enforce it my customers would go elsewhere."

Small business groups like the National Federation of Self Employed and Small Businesses (NFSE) believe that the answer lies not in giving their members additional legal rights but in making court enforcement procedures more effective. At present claimants may obtain a judgement but they may still face repeated further visits to the court to obtain payment.

"It is useless going to law if the cost and delaying tactics of your opponent can defeat the purpose of the exercise," says Mr Rupert Massey, a legal adviser to the federation.

Wide-ranging legal reforms which are being introduced as part of the Courts and Legal Services Act will extend the jurisdiction of the County Courts to handle debt claims of up to £50,000 which have previously had to go to the High Court. This should reduce the cost and complexity of many legal actions, though arcane court procedures which give lesser powers to County Court bailiffs than to High Court sheriffs may work against companies using the county courts, says Mr Massey.

The NFSE and some debt collection agencies believe that the reform of court procedures for claiming debts – and almost 90 per cent of all civil court proceedings are for the payment of debt – should go further still. The federation wants court judgements to be followed by automatic enforcement hearings to ensure claimants actually got their money. It also wants 30 days to be considered the "normal" payment term, unless a different period is specified in contracts, and the publication of a public notice naming defaulters who have not paid their debts.

The UK government may have refused to take action over the late payment of debts, but the European Commission's directorate general for enterprise policy has begun looking at the issue. The directorate proposed last February that both public authorities and businesses should settle debts within 45 days, though if the two sides in a commercial business deal agreed on a longer period this would be allowed.

It was only when the Commission called for the views of business organisations on its proposals that it realised the complexity of the subject. "We received such completely divergent opinions from 23 business groups that is has been difficult to arrive at a proposal which would meet the needs of business," said an official.

Pressure remains strong for something to be done to prevent otherwise healthy small companies being stifled by customers who will not pay on time. While no one proposal appears to hold the complete answer a solution may be found in a mix of legal change, specialist training for small business owners and improvements in court procedures.

"We waste inordinate sums in chasing up debts," says Bluemay's Mr Martin Norman. "It would make industry more efficient if we could reduce that burden."

Investor protection

Wanted: a user-friendly system of City regulation

By John Willman

News that the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra), one of London's five investment self-regulatory organisations, is in danger of insolvency is the latest in a series of blows to the UK system of investor protection.

A year ago, the collapse of the investment sales firm Garston Amhurst revealed that many life insurance companies had signed up agents to sell their products with scant attention to their competence or standing. In December, Trade and Industry Secretary Peter Lilley told the Securities and Investments Board (SIB) to rethink its rules on the disclosure of commission on insurance products and unit trusts by financial intermediaries. And 1990 ended with the collapse of the Levitt Group, one of the largest UK firms of independent financial advisers.

More than four years after the Financial Services Act 1986 reached the statute book, investors continue to lose considerable sums of money at the hands of financial advisers. Consumers' representatives are becoming increasingly restive at the failure of the system to ensure that investors get the information and support they need to make sensible decisions when buying financial services. If the financial advisers themselves can no longer support the system, the current structure of self-regulation must be in doubt.

Britain's self-regulatory system sprang from the report by Professor Jim Gower, commissioned by the government in the early 1980s after mounting financial scandals culminated in the Norton Warburg collapse where investors lost £14m. Prof Gower recognised that the government's liberal instincts would lead it to reject an all-powerful Securities and Exchange Commission to deal with malpractice. Since the alternative was self-regulation, his solutions had to be palatable to the practitioners rather than (as he admitted in the conclusions to his report) on what was best for consumers.

The threatened collapse of Fimbra suggests that the resulting self-regulatory structure has put too much pressure on the small independent financial advisers. At the same time, decisions by the SIB suggest that the consumer interest is not well-served by the present arrangements:

- The SIB proposes extending the range of products which can be sold through "cold-calling". This can only increase the number of consumers who buy the wrong products under high pressure sales tactics.
- Sir David Walker, the SIB chairman, recently told MPs that the maximum compensation payable to investors in collapsed companies should not be increased from the present £48,000 (as the Consumers' Association has suggested), to relieve the burden of funding.
- The rules on polarisation – distinguishing between independent advisers and tied sales agents – are to be relaxed for members of The Securities Association and for broker fund managers. This means increasing confusion for consumers.

The problems over the disclosure of commission paid to intermediaries are particularly telling: it is, after all, axiomatic that consumers need to know the price of a service in order to make sensible decisions. The SIB rules specify only "soft" disclosure of commission: at the time of sale the adviser must tell the consumer the method by which he is remunerated; the insurance company provides details of the commission after the sale takes place, expressed in terms which obscure the actual amount the adviser will earn.

Hard-selling tactics by directly-employed salesmen are a common cause of consumer complaints

To make matters worse, there is no requirement to disclose the commission paid to tied agents. Yet hard-selling tactics by directly-employed salesmen are a common cause of consumer complaints. Finding a clear and understandable way of disclosing commission is not easy. But the SIB has failed to convince Peter Lilley, Sir Gordon Borrie, the Director General of Fair Trading, or the Consumers' Association that it has tried hard enough.

A glance at the membership of the SIB Board indicates just why the consumer interest seems such a low priority. Of 14 members, only one, Dame Rachel Waterhouse (a member of the Council of the Consumers' Association), is a consumer representative; the rest are practitioners and City heavyweights. This pattern is repeated on the boards of the other self-regulating organisations: although these have a number of "public interest members", they are usually the same sort of worthies who fill quangos.

To shift the balance towards the consumer interest needs a much stronger consumer presence: at least 50 per cent consumer representatives on the boards of bodies whose member businesses directly deal with the ordinary consumer (Fimbra and Lautro) and an increase in consumer representation in the others.

These representatives should be selected for their experience in dealing with consumer problems: for example, people from Citizens' Advice Bureaux, debt counselling agencies, research bodies and literacy projects.

The consumer representatives also need research back-up, legal advice, computers (with operators) and all the resources that the financial services industry puts into supporting its nominees. But the big companies should bear a much greater share of the cost of self-regulation.

A single agency that straddles the various SROs is needed to co-ordinate the consumer voice, so that lessons learnt in one field can be applied in others. But if it is to be the SIB, it would require a change in orientation: merely reorganising the architecture of the self-regulatory structure or slimming down the rulebook is not enough; the consumers must be in the driving seat if their protection is to become the foremost priority.

The author is editor of the Consumers' Association publication Consumer Policy Review

LETTERS

Heavy industry needs ECGD's help

From Mr K.W. Cotterill.

Sir, Mr Andrew Tyrie's article ("The unacceptable price of British exports", February 1) seeks to give the impression that he has uncovered a great scandal of which nobody was aware.

The use of ECGD as the means whereby the government has, for the past 30 years or so, supported British industry in obtaining orders for projects overseas is a well-understood feature of the financing of exports. Similar arrangements are to be found in all countries selling major capital goods overseas.

There will always be questions of judgment about the extent of such support. For example, there are those who had doubts when the present government extended credit to Iraq on the scale that it did, even though the outbreak of war could not have been predicted.

While such support is widely available in the form of guarantees against such losses, the UK carries an additional burden because of our high interest rates.

It is impossible to compete with other countries who have access to money at half, or less than half, the cost that our own manufacturers have to pay. Some support is therefore necessary.

The article distorts the extent of losses. Of his figure of £23bn for which support has been given, provisions have been made for some £7bn. Even these are not losses, although there is sufficient doubt about their recovery for them to be noted as "possibles" in ECGD's accounts.

The commitments to which these figures refer were taken on over 10, possibly 15 years. The developing world debt crisis resulted in judgments made on good evidence at the time being proved wrong. The judgments were made by ministers on the advice of government departments, including the Treasury, and the Bank of England.

It does not do to pillory ECGD, the agent in the provision of such support. In all other industrialised countries similar judgments have produced similar losses.

Mr Tyrie wishes drastically to curtail ECGD's activities. In putting this view he is reflecting the wish of those in the Treasury who have already attempted to wind up ECGD's project business. They see no virtue in providing support for heavy industry in the UK, although lack of such support would accelerate its decline.

Those who express such views seem unconcerned that our international competitors, principally within the EC continue to provide similar support. Let them, says Mr Tyrie, remain up to their necks in treacle.

The argument is that such support represents the wrong use of resources that could be better employed elsewhere.

Yet at a time when unemployment is likely to increase beyond 2m, when companies daily find it difficult to maintain solvency through lack of demand and the high cost of funds, it is calmly suggested that now is just the time to be "radical" and jeopardise that section of British heavy industry that depends upon export business for its existence, and upon which thousands of smaller sub-contractors depend for a living.

Many of us do not share the faith of those who believe that these resources would quickly find a better use.

K.W. Cotterill,
chairman,
CBI Export Finance Committee,
Centre Point,
103, New Oxford Street, WC1

Rocking in Rio

From Mr Alastair Donald.

Sir, After writing on the Rock in Rio Two pop concerts, Christina Lamb (Management, January 17) says eight of 10 tourists can "expect to be mugged" when visiting the city.

As an airline which takes the leading role in promoting Brazil overseas, Varig can not allow this comment to pass unchallenged.

Varig's research reveals that only one in 500 will experience petty theft, and that Rio is safer than many of the world's other great cities including Miami and New York.

We work with 18 UK tour operators and expect Brazil, and Rio, to have a record year. Crime is an unfortunate fact of life in Rio and other important cities, but it must be seen in perspective and reported accurately.

Alastair Donald,
Marketing manager UK and Eire,
Varig Brazilian Airlines,
16/17 Hanover Street,
London W1.

Choosing incentives to keep staff

From Mr Brian Friedman.

Sir, Michael Gilbert ("The value of share options as a motivating tool", Letters, February 5) is right to be wary of surrender and regrant arrangements which allow executives to replace their existing options with new options granted at today's depressed level.

This situation is, however, more complex. While share options may have been the executive perk during the bull market of the 1980s, their principal attractions to shareholders were that they provided a loyalty handcuff and created an identity of interest between executive and shareholder.

When share prices fall, the loyalty handcuff disappears. Further, the incentive element is also diminished where the share price "target" is unrealistic in today's market.

In fact, the most able executives may even consider moving from one job to another in order to benefit from share options at depressed prices from their new employer.

Even in a recession there will always be a demand for the most able executives, and incentives may need to be re-addressed if top people are to be retained.

The problem is a difficult one and institutional investors will inevitably share Mr Gilbert's concerns.

However, each case must be considered on its merits and shareholders consulted, where appropriate. Possible solutions include making a grant of a replacement option subject to rigorous performance criteria. Alternatively, the replacement option may be granted at a level in excess of current market value so that the target share price is more realistic.

While the cry "not drowning, but waiving" will undoubtedly be controversial, it would be wrong for companies to dismiss the possibility outright.

Brian Friedman,
Stoy Hayward,
Employee Benefits Consultancy,
8 Baker Street, W1

Telecoms cartel likely to survive

From Mr Richard A. Kramer.

Sir, Hugo Dixon ("Cartel called to account", January 29) has done a great deal to publicise the inflated tariffs charged for international telecommunications services. However, he and others engaged in this debate are overly sanguine about the possibility of change.

Despite the investigations currently under way at the US Federal Communications Commission, the European Community and the International Telegraph and Telephone Consultative Committee, any change is likely to be confined to a select group of nations which seek, through bilateral agreements, to become telecommunications havens. Few are preparing to go the route recently proposed in the UK.

The International Consultative Committee has never been known for rapid action or bold initiatives, and the FCC investigation has produced questions about its jurisdiction over other nations' policies.

Regarding the threat of fines by the EC, one need simply note the staunch resistance to a range of other liberalisation efforts regarding equipment and value-added service. Europe is a long way from a common telecommunications market.

Massive subsidies to national telecommunications administrations – and state coffers – will not be eagerly surrendered.

So long as some countries are permitted to enjoy monopoly profits, there will be little incentive for them to allow the new breed of transnational carriers which Mr Dixon envisages to encroach upon their turf.

He is likely to be covering this cartel for some time.

Richard A. Kramer,
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Fax service

Letters to the Editor may be faxed to 071-873 5938.

The fax machine should be set for fine resolution.

Readers with an electronic mail service can use that for a direct computer to computer link, but should first phone our computer department on 071-873 4893.

FINANCIAL TIMES
Monday February 11 1991

SOVIET POWER STRUGGLE

Yeltsin decides against Russian army

By John Lloyd in Moscow

MR Boris Yeltsin, President of the Russian Republic and the most prominent challenger to the policies of Mr Mikhail Gorbachev, the Soviet President, has said he does not now intend to set up a Russian army – although he refused to rule out the possibility of a Russian military role in the future.

His statement marks a further dilution of a suggestion he made along these lines last month, a suggestion immediately denounced by Mr Gorbachev as unconstitutional.

The Russian leader, on a brief weekend tour of the Kaliningrad region in the extreme north-west of the Soviet Union, made a series of speeches in which he emphasised flexibility and a commitment to maintaining the union.

It appears to mark another round in his unceasing struggle for influence with the Soviet president. His most important speech was one to army and naval officers of the Kaliningrad garrison and Baltic fleet, based as they are on a strip of Russian land cut off from the main territory by the republics of Belorussia and Lithuania.

Last month, Mr Yeltsin appealed to Soviet army units in Lithuania not to use arms against the people there. But he stressed that the declaration of sovereignty made by the Russian parliament "delegates the defence functions to the union... Russia does not see itself as outside of the union and works together with other republics on a union treaty. I did not and do not state that Russia will set up its own army."

At the same time, he said Russia, as other republics, was concerned to ensure that its security was adequately protected. "Ceding these functions to the union does not mean we withdraw entirely from handling the tasks of defence. We are not indifferent to the problems of the armed forces, the core of which is made up of Russians."

He denied that the Russian parliament had discussed the formation of a Russian army. If the issue of forming such an army came up in future, he said, it would be decided "only through parliamentary means, on a sound legal basis and jointly with the Soviet Defence Ministry and the people."

Later, in a speech to workers from the Yantar shipyard, Mr Yeltsin said the main issue in negotiations of a new Union treaty was the division of powers between the centre and the republics. Without agreement on that, he said, he would not sign it. Only defence, railways and energy should be handled on an all-union basis – with all other functions devolved to the republics.

Speaking on the day – Saturday – on which neighbouring Lithuania went to the polls on the issue of independence, Mr Yeltsin sought to reassure his audiences that their supplies from that republic would be safeguarded.

Saying he believed Lithuania would achieve independence, Mr Yeltsin said: "A general political agreement will not be signed without economic, transport and energy agreements on the region. Without a document like that, we will not be able to influence Lithuania and secure the rights of the Kaliningrad residents".

Addressing another sore spot, Mr Yeltsin said that those who talked of its reverting to earlier ownership – it was, before World War II, part of Germany, and the city had the name of Königsberg – Mr Yeltsin said that "this region is part of Russia and will always be part of it.

"If we use arguments from the past, these will destroy borders, not just in Europe but throughout the world".

Kohl seeks European liaison with Major

Bonn and London want to improve relations, writes **David Marsh** and **David Goodhart**

MR Helmut Kohl, the German chancellor, will today try to persuade Mr John Major, the British prime minister, to step up efforts towards European integration, in spite of setbacks caused by divergences over the Gulf war.

Officials from both countries admit that the much lower level of public commitment to the conflict in Germany compared with the UK has strained relations in the past three weeks.

One senior German official complains of "jingoism" and anti-German headlines in the British popular press, and says that UK public opinion fails to understand the reasons why "we have become appeasers". Britain was particularly critical of the early dovish line on the fighting taken by Mr Hans-Dietrich Genscher, the Bonn foreign minister.

The German government has markedly hardened its backing for the US-led military coalition during the past fortnight, and both leaders will play down differences during Mr Major's first visit to Bonn as prime minister.

He will be visiting a British army garrison and RAF base in northern Germany after lunching with Mr Kohl in Bonn.

Mr Major intends to thank the chancellor again for the DM800m ($536.90m) pledged by Bonn 10 days ago for the British war effort. Germany has also been supplying Britain with large quantities of ammunition, with the result that the

Major: 'Better European'

Bonn defence ministry has been close to exhausting stocks for some categories.

Over the longer term, British officials believe bilateral relations may become more balanced than had been predicted a year ago. Germany's agonising over the war, as well as the considerable economic problems now apparent over unification, have dampened popular fears in the UK of a new German juggernaut bearing down on Europe.

Mr Kohl has stressed his hope that his relationship with Mr Major will be less stormy than with his predecessor, Mrs Margaret Thatcher. During the first meeting of the two men in Rome two months ago, Mr Kohl made a point of calling Mr Major by his first name and addressed him by the informal "du" by the end of their conversation.

AN EARLY British general election is under serious consideration by the Conservative leadership in spite of efforts to stop speculation turning into "an irresistible bandwagon."

As the ruling Conservative and opposition Labour parties outlined their manifesto themes in separate rallies, Mr Chris Patten, the Tory chairman, hinted that an early poll might avert the temptation to delay "difficult decisions" on the economy. In spite of this, Mr John Major made a determined effort to keep his options open on a general election date. Speaking on BBC radio, he argued that the Gulf war and the need to tackle inflation made any electoral considerations premature.

But Mr Neil Kinnock, the opposition leader, made equally clear his belief that the recession would provoke an electorally-motivated interest rate cut and a "cut and run" election campaign. **Page 7**

Mr Kohl's aides say that a surprisingly warm reference to Britain in his Bundestag speech to open the new parliamentary session at the end of January showed how Bonn wants to improve relations. Because of London's toughness over the fighting with Iraq, there is admiration for Britain among some of Mr Kohl's advisers. "You [the British] have proved to be the better Europeans," said one official.

Neither leader is likely to come up with any new initiative on Europe. But Mr Kohl will attempt to drive home his message that varying perceptions over the war in different European capitals make the drive to pool sovereignty in economic and foreign affairs all the more crucial. Mr Major has recently cast doubt on whether such efforts at intensifying co-operation are feasible.

Mr Major is likely to emphasise Britain's interest in taking a significant stake in the economic rebuilding of east Germany.

Sir Christopher Mallaby, the British ambassador to Bonn, has been pushing British commercial interests, personally exploring merger and acquisition opportunities for British companies during trips to east German cities.

Latest reports suggest that Britain is second among EC countries (behind the French) in making investments in east Germany. There have been at least six agreed investments by British industrial companies, with deals for the Readymix cement group, GKN, British Gas, Redland Tiles, Pilkington and British Petroleum. A further 20 transactions are said to be in the pipeline.

UK industry wants share in rebuilding a post-war Kuwait

By Victor Mallet in Riyadh

BRITISH companies launched their bid for Kuwaiti reconstruction business at the weekend, attempting to outflank their American rivals by presenting their case – and two glossy brochures – to the Kuwaiti government-in-exile in the Saudi hill town of Taif.

Mr Douglas Hurd, the British foreign secretary, introduced 10 senior businessmen and officials led by Lord Prior, the chairman of GEC and a former cabinet minister, to Sheikh Saad al-Sabah, the Kuwaiti Crown Prince and Prime Minister.

There was no visible embarrassment on either side about discussions on the reconstruction of Kuwait, although the country has yet to be liberated from the Iraqi army and much of the infrastructure the British companies hope to rebuild has not yet been destroyed.

British officials described the Kuwaiti response as "extremely positive". They say British companies have expertise in the relevant fields – including oil and gas, consultancy, construction, power, water and telecommunications – and have longstanding associations with Kuwait.

Britain is counting above all on its military contribution to the war against Iraq to give its companies a political advantage over their competitors in the race for an estimated £20bn ($39.8bn) of reconstruction work.

The document, Reconstructing Kuwait, outlining the case for the joint UK government and private sector approach to the Kuwaitis, speaks pointedly of the "enthusiasm and commitment of British manufacturing and service industry to making a major contribution to the rebuilding of Kuwait equal to the role of the British Armed Forces in the liberation of the Emirate."

The businessmen, who were given dinner by Sheikh Saad, include the chairmen or directors of Morgan Grenfell, AMEC, John Brown Engineering, Bowater, and Costain, as well as officials from the Crown Agents and the Department of Trade and Industry.

Several of these organisations were involved in Iraq before the present crisis, though Iraq's payments record and the military bent of its reconstruction programme after the Iran-Iraq war proved to be more than a disappointment.

Mr Hurd announced after his talks in Taif with Sheikh Jaber al-Sabah, the exiled Emir of Kuwait, that Kuwait had agreed to pay $660m towards the costs of the British war effort.

"The costs are very high and this contribution will help significantly towards the achievement of our shared objective," Mr Hurd said.

King Fahd of Saudi Arabia gave Mr Hurd a "helpful assurance on burden sharing," when they met yesterday, the British embassy said. But no specific sum or timetable was mentioned.

Gulf reports, Pages 2 & 3

The ghosts haunting Threadneedle Street

By Anthony Harris

THE BIG EVENT in the markets last week was not the sudden rise in British equities, odd though that may look as the economy slithers down the precipice, but the much bigger percentage recovery in US bank shares, which rose by up to 30 per cent in a week.

The stock market recovery could only too easily prove one of the false dawns which tend to herald any slump (and were such a notable features of the great crash 60 years ago). It leaves shares on quite demanding ratings and is clearly based on the hope that the economy is waiting to bounce back as soon as interest rates are eased. In fact, confidence may now be so far undermined that we will re-learn the truth of J. M. Keynes's warning that cutting rates in a depression is like pushing on a string.

The US bank stock recovery, on the other hand, looks like a genuine turning point. The stocks are still at distress levels, and discount many future disasters; but the market clearly believes that the Greenspan Fed is out to save the banking system after its losses on domestic loans, as was the Volcker Fed in 1982 after the sovereign debt disaster.

Neither chairman would enjoy this comparison, for there is little admiration lost between the draconian Mr Volcker and the gradualist Mr Greenspan, but the truth is clear between the lines of every recent Greenspan statement. Indeed, Wall Street insiders joke that he is now aiming at a hitherto unknown monetary target – bank profits.

There are clearly those in Threadneedle Street who would like to follow this example, and are doing what they can to help. The Bank of England is now allowing commercial banks to take industrial equity on to their books, so that they can swap their way out of bad loans. This is a breach of an ancient Threadneedle Street tradition, but is very much on the lines Lord O'Brien favoured as governor after the 1973 crisis, when he argued for the Continental banque d'affaires. The Bank also appears to be running a quiet sales campaign for Canary Wharf, where many large loans are at risk.

So far as interest rates are concerned, however, they are hamstrung by government policy. Their monetary policy colleagues, who encouraged the government to join the ERM at a "demanding" exchange rate to prevent government backsliding have made sure of that. The sterling-DM rate is more generally regarded beyond these shores as "insane", according to reports which have reached me from Davos, which suggests that interest rates discount a suspected devaluation.

The markets may still be ready to understand that a collapse of domestic credit demand justifies a fall in interest rates without implying any weakening on exchange rate policy; the history of other members of the ERM does not suggest that membership demands irrational monetary

The sterling-DM rate is more generally regarded beyond these shores as 'insane'

policies, as some City critics are now arguing; but while this leaves some room for a reaction to the awful economic news expected this week, it does not allow much.

The same history, unfortunately, suggests that devaluation would offer no escape from this impasse. As Robert Thomas of Midland Montagu argued in a useful recent review, it shows that those who devalue once have to live under the suspicion that they will devalue again. It took the French years to converge with DM interest rates, and there is no reason to suppose we will be treated much more kindly: having chosen to go in at a high exchange rate, the UK seems to be stuck with high interest rates.

The UK's troubles are further compounded by the fact that sterling, like the dollar, is excessively dependent on hot money balances; and hot money is sensitive not only to exchange rate views but to any worry about the banks. So if high rates do as much domestic damage as the pessimists suggest, we may have to worry about a run on London rather than a run on sterling.

Something of the sort may already have happened. Reports of large falls in foreign balances with New York banks may reflect banking worries in the wake of the New England troubles as much as it reflects any attempt to anticipate interest rate cuts. The G7 dollar support exercise last week certainly makes more sense as an operation to refinance this flight capital than as an attempt to reverse market sentiment about the exchange rate. Markets are not so easily turned, as all those involved well know.

This at least is an example we may be able to follow; concerted intervention is part of the routine ERM armoury, and if the government, in effect, took over some the currency liabilities of the commercial banks, the required interest premium could well be cut. It seems unlikely, though, that this would leave room for anything like the cuts which would be needed to check a real-life debt deflation.

Last week I argued that we were already in the grip of a debt deflation; certainly the cuts in core investment, and still more the fact that reality continues to outdistance even the more pessimistic forecasts, underlines the fact that our troubles are very like those which Mr Greenspan is tackling. However, there are debt deflations and debt deflations. So far we have simply closed the credit markets to the more aggressive borrowers (not, on the whole, those whose experience shows up in CBI surveys). Bad, but manageable.

The deadly stage is when bank losses begin to undermine even sound credits, and hitherto solid assets melt down – what Professor Tim Congdon describes as a credit implosion, or an explosion in reverse. He argues that current policies must lead to this outcome. If he is right, the ghost of Mr Volcker, who slew inflation at one squeeze, will be driven out of Threadneedle Street by the ghosts of the 1930s. We are not there yet.

British banks are much more robust than the money-centre banks of New York; but these financial risks must surely give pause to those policy makers dithering about interest rates who have been obsessed only with the inflation rate and the exchange rate. There are worse mistakes than misjudging our entry to the ERM.

London gilts market moves into profit

By Peter Marsh, Economics Staff, in London

MARKET MAKERS in UK government bonds made an operating profit last year for the first time since the so-called Big Bang in 1986 – the beginning of financial deregulation in the City of London.

The turnround in the fortunes of the 19 market-makers in gilt-edged securities, which made a total operating profit of £40m ($78m) last year, follows a round of jobs cuts and business restructuring.

The groups, which buy and sell mainly on behalf of institutions such as pension funds, made collective losses of more than £200m between 1986 and 1989 after many jobs were created in the fever of activity that followed Big Bang.

The Bank of England, which publishes the figures today ahead of its quarterly bulletin on Thursday, said the new gilt market structure had now "reached a period of stability".

The improvement in the position of the market-makers had been achieved "against a background of continuing intense competition" and "a relatively difficult operating environment", the Bank added.

Before 1986, gilts market-making was a highly profitable activity dominated by a handful of UK-based financial firms operating in a club-like atmosphere. Deregulation attracted a large number of overseas-based financial groups, although many of them found that profitability was far below expectations. A number over-budgeted in areas such as staff costs and computerisation.

The profits for 1990 came in spite of a fall in the value of gilts sales handled by the market makers, down to about £1.8bn a day from £2bn a day in 1989.

'Breakthrough' on Channel tunnel costs

By Andrew Taylor in London

CONTRACTORS building the Channel tunnel between England and France appear to have achieved a breakthrough in their claim for substantial extra payments from Eurotunnel, the project's developer.

The cost of building the tunnel has risen from £4.8bn ($9.36bn) to more than £7.5bn since 1987.

Part of the extra cost includes provisions to cover claims for additional payments which, contractors say, are required because of design changes made by Eurotunnel.

Eurotunnel is contesting many of these claims, including one that it seriously delayed the project by excessive interference with the design and award of a crucial signalling contract.

An independent tribunal, however, ruled at the end of last month that Eurotunnel had breached its obligations by interfering in the signalling contract and therefore should be responsible for any additional costs incurred.

Transmanche Link, a consortium of five British and five French construction companies contracted to design and build the project, had sought a 55-week delay in the completion date of the project which, under the terms of the contract, is due to be finished by June 1993.

The tribunal ruled against an extension of time at this stage but said Eurotunnel should meet any expenses incurred as a result of making good delays.

Transmanche has always said it should be able to meet the 1993 deadline but it would cost more to do so.

The independent three-man tribunal, containing two French and one British construction expert, is part of an elaborate procedure established by Transmanche and Eurotunnel to consider claims during the six-year project. Either side can appeal against the panel's decision.

Most legal opinion is that many of the claims are unlikely to be settled until the project is completed and final costs can be ascertained.

Construction work, after initial delays and rows between the contractors and Eurotunnel, is progressing well.

The first of the three tunnels to be built by Transmanche was completed at the end of last year. The others are due to be completed by late summer.

Work on two huge rail terminals, at Cheriton, near Folkestone, on the Kent coast, and at Sangatte, near Calais, in northern France, is also well advanced, says Eurotunnel.

Contractors will be able to go ahead with installation of the railway system and construction of locomotives and rolling stock once the tunnels are completed.

Eurotunnel said yesterday that the contractors were gaining on the programme they needed to complete if they were to finish on time.

Defence chiefs deliver verdict

Continued from Page 1

divisions had been "eroded significantly". But Mr Cheney admitted that he was struck "by the enormous size of the Iraqi military establishment."

On Saturday, US military officials said the coalition forces had destroyed more than 750 Iraqi tanks since the start of the war, or about 20 per cent of those in the area, as well as 650 artillery pieces and some 600 armoured personnel carriers.

The alliance is encouraged by the number of Iraqi deserters from the front lines. US forces said yesterday that they took custody of 42 Iraqi soldiers who turned themselves in during the previous 24 hours, while the Saudis had 16 and the Egyptians 17.

Allied bombing raids continued unabated yesterday. The US reported the loss of one Marines Harrier jump jet and its pilot, while Britain announced that the Tornado ground attack aircraft had used a thermal imaging and laser designation bombing system for the first time.

BA to postpone orders

Continued from Page 1

would discontinue operations at eight domestic airports.

The company, the seventh largest US carrier, also reported an operating loss yesterday of $270m in the fourth quarter and an after-tax deficit of $221m. This brings the net loss for the year to $454.4m, against a $63.2m deficit in 1989.

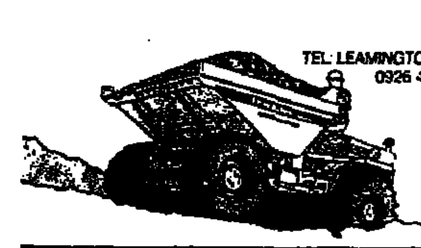
Air Europe, the airline arm of Harry Goodman's International Leisure Group, has already announced 150 redundancies, mainly in its administrative departments. The airline is working with Dan-Air, the other Gatwick-based UK carrier, on Paris and Jersey flights to combine services and increase the number of passengers per aircraft to avoid uneconomic flights.

Olympic Airways, the Greek flag carrier, has also announced sharp cuts on domestic and international services, reducing its operations by about a third.

WORLDWIDE WEATHER

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS



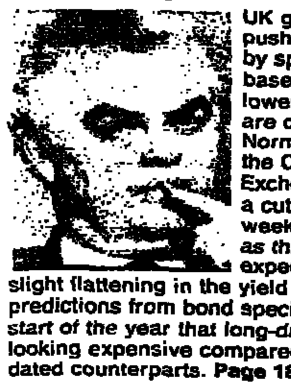
Monday February 11 1991

INSIDE

Painful reports from Australia

The howls of pain in Australian *boardrooms* will reach a crescendo this week as the interim reporting season gets fully under way. The worst hit companies will be those exposed to the *downturn in consumer spending* – such as those involved in construction, transport, retailing and banking. However, industrial conglomerates and resources companies will also *report flat or lower earnings*, some because of the domestic downturn, others because of the weakness of world prices for base metals. Kevin Brown reports. **Page 17**

Base rate pressure on gilt yields



UK gilt yields were pushed down last week by speculation that UK base rates will *soon* be lowered. Many traders *are convinced that Mr* Norman Lamont (left), the Chancellor of the Exchequer, will sanction a cut in the next *few* weeks, perhaps as early *as this Friday. The* expectations led to a slight flattening in the yield curve, bearing out predictions from bond specialists since the *start of the year that long-dated* gilts were looking expensive compared to their shorter-dated counterparts. **Page 18**

Berisford accounts qualified

Berisford International, the UK commodities and property group, has had its latest accounts qualified by auditors Coopers & Lybrand Deloitte, because of the company's need to arrange further finance. Berisford agreed a £1.2bn ($2.4bn) refinancing package with its bankers last September, just before the financial year end, but this runs out at the end of June. Maggie Urry reports. **Page 16**

Profits slide at Whirlpool

Net profits of Whirlpool, the world's largest manufacturer of home appliances, fell from $187m to $72m in 1990, as a slump in US demand and restructuring charges took their toll. In the fourth quarter alone, the group posted a $54m loss, compared with the previous year's *profit of $49m*, writes Nikki Tait. **Page 17**

Williams offers Yale directors new contracts

By Maggie Urry in London

MR MICHAEL Montague, chairman of Yale and Valor, the locks and domestic appliances group, will receive a five-year contract as a consultant to Williams Holdings if the conglomerate's agreed bid *for Yale goes* through.

The contract would be worth £250,000 ($498,000) a year and Mr Montague would also receive £20,000 a year as a non-executive director of Williams.

Details of new service contracts *or compensation for loss of* office for directors of Yale if the bid is successful were given in documents published over the weekend.

The bid, worth nearly £360m at Friday's closing share price for Williams of 244p, is recommended to Yale shareholders by their directors as being fair and reasonable.

Mr Montague, who has been chairman of Yale for 25 years, has a service contract until June 1995 at £250,000 a year.

Mr Tony Marson, finance director of Yale, who has a three-year contract at a salary of £150,000 a year, is to stay with Williams as *an operations director. He would* get a new three-year contract at £200,000 a year and also receive a bonus related to profits.

Mr Sidney Hammond, another Yale director, would exchange his current three-year, £120,000-a-year contract for a new one running for five years at the same rate.

The other directors would receive "any compensation to which he or she is legally entitled" the offer document says. *This would includes Mr Jeoff* Samson, Yale's group managing director, whose contract with Yale runs to April 1,1994 at *£200,000 a year.*

His contract provides for termination on change of control with payment of "liquidated damages".

This means the level of damages is set in advance so avoiding the unseemly rows with former directors over compensation which have followed some takeover bids.

Directors will also be able to accept the Williams offer for their shares in Yale. Mr Montague holds 196,000 shares, worth nearly £600,000 at the 305p price implied by Friday's closing price for Williams.

Further, Yale directors have options, some of which can be exercised, some rolled over into Williams options, and some would receive compensation from the *employee stock* option plan. For instance, Mr Montague has options on over 240,000 shares. Of these he can exercise 146,600 at *220p*.

The listing particulars for the shares Williams would issue if the bid goes through, says that at *January 18*, Williams had net debt of £17.1m plus contingent liabilities of £14.1m while Yale's net debt was £54.6m and contingent liabilities £18.5m. On a pro forma basis the combined group would have net tangible assets of £464.1m.

UBS Phillips & Drew opens Paris operation

By Richard Waters in London

UBS Phillips & Drew, the London-based securities house owned by United Bank of Switzerland, will today become the first firm to launch a brokerage operation from scratch in Paris.

Since the deregulation of the French stockmarkets in 1989, all other newcomers have entered the business by taking over an established broker.

UBS P&D, by contrast, has gained admittance by taking over a shell seat on the exchange. A similar move is planned by Enskilda Securities, of Sweden.

The broker's arrival comes amid a severe squeeze on French stockbrokers, caused by deregulation and low levels of activity on the stockmarket. UBS P&D, though, says it has no ambition to become a significant participant in the domestic French equity market, and that it has no plans to have sales staff based at its new Paris broker.

Instead, its 19-strong equity research, trading and settlement operation is intended to support UBS P&D's overall strategy of selling European stocks to its international client base. The Paris operation will provide research on, and access to, liquidity in smaller and medium-sized French companies, with London remaining the centre for researching and trading in leading companies.

Facets of Ratners in America

Karen Zagor on the progress of the UK jeweller's expansion in the US

Nate Light has strong words for British analysts who he believes are treating Ratners, the expansionary UK jewellery retailer, "like it has the bubonic plague".

Mr Light, 56, has headed Ratners' US operations since 1987 when the British group acquired all 117 Sterling jewellery stores. *Since then, Sterling has* expanded to 473 stores and Mr Light has gained a seat on Ratners' board in the UK.

He also presided over Sterling's digestion of some 494 Kay jewellery stores which, in a $412m (£207m) deal, became part of Ratners' US operations on November 4 last year.

Ratners aim is to grab a 10 per cent slice of the US market, following *a similar strategy* to that it pursued in Britain though the 1980s. In the UK it has become the dominant force in the jewellery industry by buying rival chains and building up a market share of over 30 per cent.

The energetic Gerald Ratner, who as chairman of the company has been the driving force behind its expansion, argues that the acquisition of Kay is a significant step in realising the group's US ambitions.

Analysts, however, have their doubts. Ratners' core businesses in the UK have come under pressure because of the harsh trading climate and rising costs. And the company's *followers in London* have already been busily trimming their annual pre-tax profits forecasts by about 10 per cent to £115m.

The US picture is no brighter. Ratners' decision to expand in a country in the throes of recession through acquiring a retailer which, by all accounts, was on the verge of bankruptcy, has provoked a spate of questions about the company. Its shares have fallen by 69p to 130p since the Kay deal was completed.

"You can't criticise Ratners for having difficulties in these trading conditions, but you can criticise it for buying a weak company *in this environment, and* completing the purchase after August 2 (when Iraq invaded Kuwait)," said one former Kay bondholder.

Consumer confidence and spending was waning in the US before the Gulf crisis hit retailers particularly hard. And the jewellery sector is considered one of the most difficult areas of retailing.

Ms Margo McGlade, an analyst at PaineWebber, says: "Jewellery is a very seasonal business. You can have days with no transactions, and you have to pay overheads all year just to do business at Christmas and a little at mid-year."

Nevertheless, three months after closing the Kay deal, both Mr Light and Mr Ratner insist that Sterling will not merely survive the Kay acquisition, it will prosper as a result. Mr Ratner says he is "very happy about Kay. I know nobody else seems to *be. I wasn't looking* at a short-term view and I didn't buy Kay for this month or this year. I'm taking a longer-term view. In any economy there are booms and recessions."

"If we had waited for Kay to go into Chapter 11," says Mr Ratner, "it would have been difficult to put the business back on track. Deliveries would have been halted, there would have been no stock in place, some shops would have closed and that can damage the image in customers' eyes. We *caught it before the consumer* knew Kay was in difficulty."

Furthermore, once a company goes into Chapter 11, every move *is subject to the scrutiny of* the courts and creditors and "there was no guarantee that we would have got Kay," says Mr Ratner.

Analysts have expressed concern about Kay's exposure to the north east of the US, where recession has hit hardest and consumer spending has taken its *deepest* dive.

But, according to Mr Ratner and Mr Light, sales in the north east have held up, and the greatest *deterioration* has been in California and North Carolina, areas which have sent a large number of troops to the Gulf, dampening interest in shopping.

According to Mr Ratner, the only unpleasant surprise of the acquisition was Kay's inventory, which was poorer quality than expected. "But that's just a temporary thing," he says. "With *hindsight, there is nothing* I would have done differently. I always thought we would have to make an acquisition of a major *multiple*."

Mr Ratner's confidence is based on the fact that most of the $20bn jewellery business in the US is done by *independent* retailers. "When we started in the UK about 70 per cent of the business was *in independent hands. Now* it's 40 per cent. In the US growth will be slower because of the recession. But the game strategy *is right, and we have expanded* without a high level of debt."

His confidence is also based on Mr Light and the organisation he oversees in the *outskirts* of Akron, Ohio, once the home of every major American tyre-maker and now known for the Quaker Square *Hilton* hotel and convention centre, housed in 36 converted grain silos.

Mr Light runs a tight ship from *his* corner office *in Sterling's* freshly-painted pink and turquoise headquarters. The headquarters function as the central nervous system for Ratners US operations – housing inventory, purchasers, credit services and even three master jewellers to serve all the stores. The company had to add new buildings to accommodate Kay, but land and labour are relatively cheap in Akron.

The hub of Sterling's organisation, with its neon lights and robotic vehicles, bears a closer resemblance to the Star Ship Enterprise than the Fabergé studios of old. There is less dust in *the company's diamond sorting* room than in most hospitals. Among the mechanical leviathans are machines which can put price *tags* on *1,000 rings an* hour, about 25 times faster than by hand.

In the company's vast underground warehouse, which ships out jewellery to Sterling stores throughout the US, merchandise for each store is mechanically selected and packed at a rate of 1,000 items an hour.

Computers are used to keep the headquarters up-to-date with the inventory needs of each store. "Each night we suck in all the point-of-sale data for the day," says the head of Sterling's computer systems.

Part of Sterling's strength as a retailer is that "we replenish better *than anyone else*," says Mr Light. "We're never out of stock."

Rationalisation, through integrated management and shared advertising and purchasing, has already cut costs for the Kay operations. Tighter control of credit, and access to Sterling's in-house jewellery operations, should also help.

Mr Ratner insists that Kay's past performance as a jewellery retailer is irrelevant. "All we were buying was real estate and staff." But even the best managed, *most* attractively-located stores will be hard pressed to turn a profit if the Gulf war drags on.

The first nine months of the year are of little consequence to Sterling, but next Christmas may prove the true test of the wisdom of the Kay acquisition.

Gerald Ratner: Confident that US operations will prosper

Economics Notebook

Alarm bells silent as dollar falls

Last week *was a funny* old week on the world's foreign exchange markets.

It saw all the trappings of a good old fashioned dollar crisis. The US currency touched new lows against the Deutsche mark; the pound briefly pierced the $2 level and central bank intervention became so widespread that even the Greek and Norwegian central banks were helping to stem the greenback's decline.

Yet it was difficult to discern a real sense of alarm. The Bundesbank seemed not to put its heart into the intervention; the *weak dollar* was clearly not the main preoccupation of the US authorities and the volume of intervention – estimated at around *$1.5bn world-wide by* the close of Friday's trading in London – was respectable rather than spectacular.

One explanation was that the "big three" members of Group of Seven nations – the US, Japan and Germany – stand to lose little in terms of managing their economies from the recent decline in the dollar. Another reason could be the widespread belief that the dollar is fundamentally undervalued at present and must recover once investors see a revival in the US economy.

But the absence of a crisis mood *may* also lie in the changing nature of the foreign exchange market itself.

Those who remember the currency turmoil of the 1970s and the early 1980s might have expected the momentous geopolitical events of the past 18 months to provide foreign exchange traders with a business bonanza.

Yet in *spite of the upheavals* in eastern Europe, German unification and the Gulf crisis culminating in war, today's forex market appears comparatively staid.

According to Mr Jim O'Neill, head of financial markets research at Swiss Bank Corporation in London, last year was probably the most difficult year for foreign exchange market operators in at least 10 years.

Overall profits fell, exposing excess capacity and forcing some smaller companies to quit the market.

The main culprit was a decline in exchange rate volatility which limited business volume and trading opportunities. Although the G7 countries – the US, Japan, Germany, France, Britain, Italy and Canada – have toned down their commitments to currency stability since the Louvre Accord of February 1987, the main traded currencies have moved in ever narrower ranges against each other.

Swiss Bank Corp figures *show that the annual range of* movement of the Deutsche mark against the dollar was 25 pfennigs last year, down from 35 pfennigs in 1987 and 100 pfennigs in 1985, the year in which the major industrial powers decided to resume influencing currency movements.

The annual fluctuations of the dollar's exchange rate against the yen have been more erratic, but, according to Swiss Bank Corp, the trend in volatility is clearly lower.

While exchange rate volatility has declined, variations in the liquidity of the market appear to have increased. Large blocks of currency can suddenly be put up for sale, increasing the risks faced by currency traders. Bankers cite the example of Bank Negara, the Malaysian national bank, which in the course of aggressive position taking has reputedly switched as much as $2bn at a time from one currency to another.

This paints a rather different picture from that conveyed by recent central bank studies. *The Bank for International Settlements* concluded a year ago that total global foreign exchange turnover net of all *double counting, was a huge* $640bn per day. It based this conclusion on a survey of foreign exchange market activity by central banks in 21 countries in April 1989.

Using data from the Bank of England, the US Federal Reserve, the Bank of Japan and the Bank of Canada, the BIS report suggested that the market was thriving. These four countries accounted for around 70 per cent of global foreign exchange market turnover. The central bank figures showed that their daily foreign exchange turnover had increased by 116 per cent in the three years to April 1989, or more than twice the growth of their foreign trade in the same period.

Now, however, traders and economists talk of a market which seems to have its boom years behind it and where *activity is becoming increasingly* concentrated among a few large banks.

Citibank is the world's biggest *foreign exchange trader*. Barclays Bank and Midland Bank are probably the most active UK banks, while the big Swiss and German banks are also large operators. "Unless you are a big bank, you have no idea what is happening to currencies," one trader observed.

This concentration of capacity *has coincided* with increased risk aversion. Foreign exchange markets are generally thought to have an attention span of no more than a few minutes. But one event in recent years has scarred the *market's corporate* psyche. At the beginning of 1988, after a period of protracted dollar decline, the world's leading central banks launched a large round of joint intervention to *reverse the trend*.

Many banks had sold dollars that they did not possess and were caught in a savage "bear *squeeze". They were forced to* cover their open positions. The operation cost some banks much of their profits from the previous year.

Since then, slower economic growth worldwide and recession in the main English speaking nations have produced a growing crop of bad debts making banks still less willing to take risks in foreign exchange trading.

All this brings us back to last week's events. The dollar's downward lurch was triggered by the January 31 increase in German interest rates and the following day's cut in the US discount rate. It was fuelled by some large dollar selling orders from the Far East last Monday.

At first it appeared that the central banks intervened simply to prevent the dollar falling too quickly. By Friday, after a growing number of central banks had joined the dollar support action, it looked more *as if the European and US* monetary authorities were trying to put a floor of DM1.45 under the dollar.

However, the central banks' action could run into difficulties if it is designed to set specific limits to the dollar's fall.

According to Mr Paul Chertkow, chief currency strategist of Citibank in London, one *lesson* of 1988 is that such intervention only works if the market is overextended.

And both he and Mr O'Neill of Swiss Bank Corp agreed that the dollar was not oversold at the beginning of last week.

Peter Norman

ICI to launch PEP

By Sara Webb in London

ICI, the chemicals group whose shares are among the most widely held by institutions, hopes to boost its appeal *to private investors by offering* a tax-efficient means of buying its shares.

The group is due *to* launch a corporate Personal Equity Plan (PEP) within the next few weeks, allowing small investors to buy up to £6.000 ($11,940) worth of ICI shares within a financial year. Provided the shares are placed in a PEP, the investor can receive all income and capital gains tax-free.

At least 30 companies – including Glaxo, BP, SmithKline Beecham, and Abbey National – have launched corporate PEPs in the last year or so in an attempt to encourage employees and members of the public to invest in their shares in a tax-saving way.

ICI is discussing the details of its corporate PEP with the Bradford & Bingley Building Society which acts as plan *manager for several corporate* PEPs already, including those of BP, SmithKline Beecham, Glaxo and Tate & Lyle.

It seems *likely* that the ICI PEP will be open to members of the public, unlike some of the corporate schemes launched in the past which have only been available to a company's employees.

Investors may also be allowed to place up to £3,000 of their PEP investment into an index-tracking UK unit *trust which is run by James* Capel.

The unit trust option would add flexibility and allow investors to spread their investment by having exposure to a portfolio of shares rather than pla*cing their entire investment* in ICI.

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Pavilion difficulties with pool contract

By Jane Fuller

PAVILION LEISURE, the property and hotels group which fell into the red in the first half of last year, has run into problems with a swimming pool contract in Bedford.

Its Clifford Barnett subsidiary has a £6.8m contract to design and build a "beach pool" for North Bedfordshire Borough Council. But the subcontractor, a Scunthorpe company called Clugston, stopped work on Monday and complained that it had not been paid its latest instalment.

The council says it paid nearly £500,000 to Clifford Barnett at the turn of the year. Clugston says the amount due to it did not arrive at the time laid down in the contract. It then gave Clifford Barnett seven days to pay. When that was missed, it decided to stop work.

Mr Peter Eyles, who took over as chairman and chief executive of Pavilion in September, said the group was in dispute with Clugston.


Peter Eyles: group is in dispute with Clugston

He refused to comment on Pavilion's financial position, other than to say that its year-end had been changed from the end of October. Results for the period to December would be released in March or April.

Pavilion's share price has fallen from 76p to 6p in the past 12 months. It made a pre-tax loss of £2.3m (profit of £2.2m) in the six months to April 30 on sales of £13.4m (£11.8m).

The last annual report showed debt of about £38m compared with net assets of £30.9m on October 31 1989.

Mr Eyles's arrival at Pavilion was part of a management shake-up. He succeeded Mr George Martin, who stepped down after 18 months as a director of the company. Mr Tony Canning-Jones, finance director, also resigned.

Mr Eyles was previously managing director of the Norfolk Capital hotel group. Last winter he survived an attempted management coup, only to leave after after it was taken over by Queens Moat Houses.

Mr Eyles said in September that his plan was to build a chain of luxury hotels. KPMG Peat Marwick McLintock were asked to examine Pavilion's affairs, and Mr Eyles said: "We will have to look at how we refinance the operation once we have received a report."

No further Blackwood preference dividends

By Jane Fuller

BM GROUP, the construction equipment and building products concern that took over Blackwood Hodge last autumn in a deal worth £54m, has said that Blackwood's preference shareholders will receive no further dividends.

By the end of 1990, there were no distributable reserves at what was once one of the world's largest distributors of earthmoving equipment.

BM said Blackwood's reserves had been depleted by a redundancy programme, disposals and adverse currency movements. Much of this had been announced by Mr Roger Pinnington, then chairman of Blackwood, before the takeover.

Since then, BM had instituted further redundancies and writedowns of stock values. This would lead to substantial net accumulated losses in Blackwood's June 1991 accounts.

Mr Howard Sutton, BM's managing director, said nothing unexpected had been discovered at Blackwood. It had been combined with BM Plant and the former Blackwood UK workforce had been cut from 440 to 150 through action taken before and after the takeover.

Three classes of Blackwood preference shares remain outstanding, the vast majority being £15m of 9 per cent cumulative redeemable stock.

Geevor's Mainband Colliery on care and maintenance basis

By Kenneth Gooding, Mining Correspondent

GEEVOR, the mining company which had a £2.1m loan called in by the Canadian Imperial Bank of Commerce in extraordinary circumstances, is placing its Mainband Colliery in Cumbria on a care and maintenance basis.

Redundancy notices have been issued to the 28 employees.

Geevor has also revealed that negotiations about the sale of its Cornish assets – including the tin mine at St Just on which the company's early fortunes were based – are at a very advanced stage. These negotiations started before Christmas, before CIBC called in its loan.

Mr Mark Wellesley-Wood, chairman, said that Geevor was working on a refinancing deal with its shareholders who had been "very supportive."

It is understood that the refinancing procedure has not been helped by the refusal of the Canadian bank to remove its floating charge on Geevor's assets even though it has been paid back all its loan. Apparently CIBC, the second-largest Canadian bank, has asked for some elements of the writ issued against it by Geevor to be changed before removing its charge on the company's assets.

Geevor has spent £3.1m on the Mainband Colliery since it acquired the property in 1988. Output has been building up to about 2,200 tonnes a month. Mr Wellesley-Wood pointed out that £300,000 of the cash from a rights issue in December – money paid over instead to CIBC – was to have been allocated to Mainband for further necessary development work.

He said National Power, the main customer, had been "understanding" about the halt to production. If funds were available in the future for Mainband, Geevor might well take a different approach when bringing the mine back into production.

Following the rights issue, Geevor's main institutional investors are: Fidelity (8.5 per cent); Midland Montegu Asset Management (6.4 per cent); Assicurazioni Generali (5.6 per cent); Dimensional Asset Management (5 per cent); Mercury Asset Management (4.5 per cent); T&N Pension Funds (4.4 per cent); James Capel Resources Management (4.0 per cent); M&G (3.2 per cent); and Albert E Sharp (3.1 per cent).

Berisford International accounts qualified

By Maggie Urry

THE latest accounts of Berisford International, the commodities and property group, have been qualified by the group's auditors Coopers & Lybrand Deloitte, because of the company's need to arrange further finance.

Berisford agreed a £1.2bn refinancing package with its bankers last September, just before the financial year end, but this runs out at the end of June.

The auditors report says that "the financial statements have been prepared on a going concern basis and the validity of this depends on adequate finance being available to the group beyond the end of the current Group Refinancing Agreement".

Other companies in similar positions have also had their accounts qualified, such as Isosceles, which acquired the Gateway food retail business through a leveraged buy-out and went through a refinancing last autumn.

Since the agreement with its bankers, Berisford has sold British Sugar, the sugar beet business, to Associated British Foods for £880m and made a number of other smaller disposals. As a result debt has been cut by £950m.

The accounts also give a pro forma balance sheet including adjustments up to mid-January.

This shows that net debt stood at £177.2m, including £106.3m of guarantees and stand-by letters of credit on the group's New York properties, and shareholders' funds at £365.7m, or 74p per share which compares to Friday's closing share price of 24p.

The pro forma balance sheet does not reflect trading since the financial year end or the amount of tax which will be payable on the British Sugar sale, expected to be between £13.4m and £57.5m.

Noble Grossart advances 6%

By James Buxton, Scottish Correspondent

NOBLE GROSSART, the privately-owned Edinburgh merchant bank, increased its pre-tax profits by six per cent from £3.27m to £3.32m in the year to January 31 1991. The bank said it had had a strong increase in its number of corporate clients in the past two years, with marked growth in the last few months.

Mr Angus Grossart, chairman and managing director, attributed the growth in the client list to the bank's "stability and independence" at a time when many companies were concerned about "lack of continuity of service, potential conflicts and other unsettling aspects of their existing arrangements."

Noble Grossart is one the most important corporate finance institutions north of the border, but has always been determined to remain small and rejected the forms of expansion pursued by London merchant banks in the past few years. It has kept its staff to around 20.

Mr Grossart, who has consistently voiced his scepticism about the 1986 Big Bang and its effects, said that the difficulties the banking sector was now experiencing were the inevitable result of the "unfettered lateral expansion fuelled by massive additions of capital leveraged by injudicious use of credit." There was now "a famine of credit, with cash moving slowly and many banks being unwilling to lend."

Income from unlisted investments fell to £781,000 (£993,000).

Tamaris makes £2.5m disposals

By Gary Evans

TAMARIS, the loss-making nursing home operator, is selling four nursing homes for £2.46m, of which £1.5m will be used immediately to reduce long term debt.

Last August a rescue package was arranged, whereby Chalfont Lifecare, a company created specifically as an investment vehicle, invested £2.7m in Tamaris and a new board was appointed.

On Friday, Tamaris said that its Oakfield and Milton Ernest Hall nursing homes were being sold to LT Healthcare, of which two former Tamaris directors, Mr S Taylor and Mrs JM Lester are directors and have a beneficial interest.

The same two persons are also beneficiaries in the Tilia Trust, which is buying from Tamaris, the Chateau du Village nursing home and Chateau des Tielles residential care home in Guernsey.

These two homes are the principal operating businesses of CI Nursing Homes, which Tamaris acquired for about £1.4m in July 1989.

Tamaris also announced on Friday that it had conditionally created an employees' share scheme trust, the trustee of which had conditionally agreed to purchase 1.5m Tamaris ordinary shares owned by the Tilia Trust, and funded by a conditional loan from the company.

Tamaris said its future plans were to purchase suitable sites and develop and sell lifecare apartments, while retaining the freehold interest and providing healthcare direct into each purchaser's own home.

Through the sales of long leasehold interests in the apartments, the company said it would be able to repay short term financing for purchase and construction, while retaining an income stream from the service charges for providing healthcare.

The balance of the proceeds from the sale of the four nursing homes would be placed on deposit to be available for the working capital requirements of implementing the new strategy, or for further reductions of the group's debt.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BHP Petroleum (Australia)	Hamilton Oil Corp. (US)	Oil exploration	£500m	Bid for full control
Otto Versand (Germany)	Grattan (UK)	Mail order	£140m	Next distress sale
Ssangyong Cement Industrial (Korea)	Riverside Cement Co (US)	Cement	£68m	Another sale by UK's Beazer
Management (UK)	Reedpack Plastics (UK)	Plastic packaging	£34m	Sweden's SCA continues Reedpack disposals
Tiphook (UK)	VTG Ferrywagon	Rail wagons	£7.2m	Tiphook owns 1/3 Europe's wagons
Metallgesselschaft (Germany)	Units of Davy Corp (UK)	Process plant engineering	£51m	Davy focusses core business
Weir Group (UK)	Regent Pumps (Australia)	Pump manufacture	n/a	Weir continues...
Weir Group (UK)	Baton Rouge Mach Works (US)	Engineering services	n/a	... acquisition spree
FCA (France)	Bloom (US)	Advertising	n/a	Another FCA intl investment
Johnson & Firth Brown (UK)	Monroe Forgings (US)	Engineering	£10.5m	JFB enters aerospace mkt

Source: FT Mergers & Acquisitions International

Disposals driven by debt or the need to refocus featured heavily in cross-border mergers and acquisitions last week, writes Brian Bollen.

Impelled by the need to reduce its heavy debt burden, UK construction and building materials group Beazer completed the sale of all or part of the three cement companies it acquired in 1988 when it bought Gifford Hill, the US aggregates and cement group. Beazer raised US$240m from the sales, two of which took place last week.

In another debt-propelled move, struggling UK fashion retailer Next agreed to sell its Grattan mail order business to Germany's Otto Versand for £140m, with one eye very much on £163m of convertible bonds which fall due next year.

The shrinkage of UK engineering contractor Davy Corporation continued with the sale of two German operations to Metallgesselschaft. This latest in a series of asset sales takes Davy, hit by expensive losses on several contracts, further away from process activities and refocusses it more on its core metals engineering business.

Sweden's Svenska Cellulosa continued its newly-launched programme to streamline Reedpack by selling the non-core parts, raising £34m from the disposal of Reedpack Plastics to management. The transaction features an interest-free instalment payment plan, providing further evidence of a growing trend for vendors to have to help finance disposals.

The largest reported new deal of the week was the £500m bid by BHP Petroleum for the 49.8 per cent of Hamilton Oil Corps. which it does not already own, completing a purchase begun in October 1987. The bidder said the move would help it integrate Hamilton, which would become its base for exploration in Europe.

At the other end of the scale, Glasgow-based Weir Group brought its total number of acquisitions in the last seven months to five, totalling around £42m. Two of its overseas subsidiaries spent £3m on purchases in their core business activities, pump manufacturing and engineering services.

Throgmorton Trust net assets fall to 59.02p

MR IAN Stewart, chairman of Throgmorton Trust said that conditions in the second half of its year had deteriorated rapidly and had been exceptionally adverse for the main areas of its activities.

In the 12 months to November 30 net profits for the investment trust fell from £9m to £6.08m. Net asset value over the period fell from 96.73p to 59.02p per share.

The chairman added that the invasion of Kuwait had undermined investor confidence and the slowing economy had left residential property sales lower. The combination resulted in interest and dividends from the main trading subsidiaries falling by £6m to £3.3m.

Total gross income was £21.08m (£25.32m). Earnings per share came out at 2.14p (3.19p) and a reduced final dividend of 1.25p (2.38p) is recommended for a total of 2.15p (3.18p).

COMPANY NEWS IN BRIEF

FERRARI HOLDINGS said that while discussions had taken place regarding a rights issue, terms proved to be unacceptable to all classes of shareholders and the directors were considering other options.

HUGHES FOOD has sold a production site at Selby, North Yorkshire, mainly used by its Schooner Seafoods (Processing) offshoot, for £1.3m cash. Net proceeds will be used to reduce group borrowings.

JEYES GROUP has acquired Crowner Products, a manufacturer of cleaning and hygiene products for the industrial and institutional markets, for £2m in cash and loan notes subject to Crowner's profits performance in the year to end-August 1991. In the 12 months to August 31 1990, Crowner achieved profits of £330,571 pre-tax on turnover of £4.04m. Net assets amounted to £575,201.

SHEFFIELD INSULATIONS Group has bought Keith Young Insulation from Pilkington for £2m cash including goodwill of £500,000.

Continued on Page 21

COMPANIES AND FINANCE

Whirlpool hit by fall in demand for home appliances

By Nikki Tait in New York

WHIRLPOOL, the world's largest manufacturer of home appliances, was hit by slumping US demand and restructuring charges, and saw profits fall from \$187m to \$72m after tax in 1990.

In the fourth quarter alone, it posted a \$54m loss, compared with the previous year's profit of \$49m.

Both fourth-quarter and full-year figures were affected by restructuring charges, at \$58m and \$22m respectively. Last month, the company warned that these would dent results, saying that it was setting aside \$56m in the final quarter to cover the cost of reorganising its refrigeration business.

But it acknowledged that the figures were still "disappointing". One big problem derived from Whirlpool's Brazilian affiliates, whose losses meant a \$33m deficit for the Michigan-based company last year.

Even with this loss excluded, however, and adjusting for all one-off losses and gains, Whirlpool said there was an 18 per cent slide in net earnings last year, at \$135m. Whirlpool maintained that this stemmed mainly from a difficult home market, "particularly in the second half of the year when consumer confidence reached a 10-year low".

It said that the overall European market position improved in 1990 although industry demand was static. Whirlpool added that it was encouraged by its "dual-branding advertising campaign," which is designed to sell the company's name to European consumers.

It predicted that north American shipments would fall a further 5 per cent this year – before allowing for a protracted Gulf war – and said it expected European shipments to remain flat.

Advertising faces challenge from media owners

By Alice Rawsthorn

THE concentration of power among the large European media owners poses a growing challenge to the advertising industry, according to a report from Saatchi & Saatchi, one of Europe's largest advertising groups.

Zenith Media Worldwide, the London-based media buying subsidiary of Saatchi, estimates the 10 biggest European media owners currently have a combined annual media revenue of \$15bn. Reed International, the UK-based publishing and information group was the biggest European media owner in 1990 with media revenue of \$2bn.

Fininvest, the Italian television and magazine group controlled by Mr Silvio Berlusconi, is the second largest group followed by Bertelsmann, the German concern.

Zenith estimates nearly \$56bn was spent on media advertising – press, broadcasting, cinema and posters – in Europe last year. This compares with just under \$19bn in 1980.

The media market has since been stimulated by buoyant consumer spending and broadcasting deregulation, and this has fuelled the expansion of powerful groups.

In some countries this has led to concentrated ownership. In Italy four companies control 55 per cent of the magazine market and in West Germany four companies controlled 72 per cent.

As a result some advertisers are using specialist buying units, such as Carat of France. Others use groups of agencies such as the Media Partnership, formed by WPP and Omnicom, or Zenith, which acts for Saatchi agencies.

"The Top 50 European Media Owners" is available from Zenith Media Worldwide at Bridge House, 63-65 North Wharf Road, London W2 1LA for £330.

NEWS IN BRIEF

St-Gobain lifts German glass stake

ST-GOBAIN, the French glass and construction materials group, has won permission from the German monopoly authority, to lift its stake to over 50 per cent in Oberland Glas, Germany's second largest glass packaging company, writes George Graham in Paris. The French group bought 35 per cent of Oberland in 1988.

■ Kreditforening Danmark, one of the two biggest Danish bond-issuing mortgage credit associations, has reported a rise in pre-tax losses to DKr1.05bn (\$186m) for 1990 from DKr512m in 1989, writes Hilary Barnes in Copenhagen.

■ The New York Stock Exchange plans to cut further jobs, bringing its staff to about 1,600 from 1,950 at the beginning of 1990, writes Karen Zagor in New York.

■ EG&G, the Massachusetts-based supplier of advanced scientific and technical products to the aerospace, automotive and petrochemical industries, is to buy a majority interest in Heimann, an offshoot of Siemans, the German electronics and electrical group, writes Nikki Tait in New York. Terms were not disclosed. Heimann's sales are \$100m annually, and it employs 1,300 people.

■ Ladeco, the Chilean airline, has said that Ansett Transport Industries, the Australian airline, plans to sell its 25 per cent stake, Reuter reports from Santiago. Ladeco also said Iberia Lineas Aereas de España, which recently bought Aerolineas Argentina, was holding talks with Ladeco to acquire 35 per cent.

■ Quelle, the German mail order company, plans to invest DM1bn (\$684m) in eastern Germany, writes David Goodhart in Bonn. It intends to build four mail order centres and create 5,000 jobs.

■ Danfoss, the Danish unlisted industrial components manufacturer, has reported a fall in pre-tax profits to DKr401m (\$71m) in the year to September 1990 from DKr596m, writes Hilary Barnes in Copenhagen.

Recession-hit boardrooms howl with pain

Kevin Brown forecasts poor results this week from Australia's corporate sector

The howls of pain which have been swelling in recession-hit Australian boardrooms over the past six months will reach a crescendo this week as the interim reporting season gets under way.

The worst-hit companies will be those directly exposed to the downturn in consumer spending, such as construction, transport, retailing and banking.

Most will blame their poor performance on the government's use of high interest rates to cool consumer spending as part of a strategy aimed at reducing the current account deficit from A\$22m (US\$17m)to A\$8m.

However, industrial conglomerates and resources companies will also report flat or lower earnings, some because of the domestic downturn, others because of the weakness of world prices for base metals.

There have been some indications of the gloom to come in the handful of results already published, notably MIM, the Queensland-based mining group, which reported profits down 43 per cent to A\$68, and Leighton Holdings, the construction group, which reported flat profits of A\$9.4m.

Even Jupiters Development, the hotel and casino complex in the heart of Queensland's Gold Coast holiday strip, said the recession was responsible for a disappointing 2.7 per cent first-half improvement to A\$6.6m.

Some of the biggest falls in profits will be in the building materials sector. Boral, for example, has warned profits will be 25 per cent lower than in last year's first half, implying an outturn of around A\$133m. Analysts say the group may better that target slightly, but probably not by much.

Coca-Cola-Amatil, the beverages and snack foods group, surprised the market last week with an unexpected 6.4 per cent increase in net profit to A\$64m for the year to December on the back of improvements in margins and market share.

But few expect CCA's performance to be repeated by other companies in the food and beverages sector. Goodman Fielder Wattie, the flour milling and branded foods group, for example, is expected to report a fall of around A\$20m in interim profits to A\$50m.

Retailers are also likely to have suffered badly. Coles Myer, the Melbourne-based supermarkets and department stores operator, reported a rise of just 1 per cent in Australian sales for the six months to December, well short of the current rate of inflation of 6 per cent.

Coles management says cost-cutting measures are beginning to take effect, but the group will find it hard to match last year's interim profit of A\$343m. Woolworths, the supermarket chain which is part of Mr John Spalvins'

Rupert Murdoch: his News Corp results will be better

Adsteam group, has been winning its sales battle with Coles recently, but analysts say results of the Adsteam companies are difficult to forecast because of the current restructuring of the group.

Transport companies are also in the front line of recession, and most of the leading transport stocks are likely to suffer. One of the worst hit could be TNT, one of the world's biggest transport groups, which analysts say will report interim profits of around A\$55m, compared to A\$72m last year.

Many of the vehicle builders have responded to the slowdown by laying off workers and closing plants for up to two weeks, and most will report lower profits to their US and Japanese parents, as will automotive suppliers. Bridgestone Australia, the tyre maker, recently reported a loss of A\$1.7m for the year to December, compared with a profit of A\$11.8m last year.

Among the conglomerates, analysts suggest that profits of BTR Nylex, the acquisitive 64 per cent subsidiary of BTR of the UK, will fall by around A\$20m from A\$261m, in spite of improvements in margins.

Pacific Dunlop is also likely to suffer a small decline, probably to around A\$145m from last year's A\$153, mostly because of the impact of the recession on the group's sales of Asian-manufactured clothes through its Pacific Brands business.

Other industrial companies are also likely to be hit, notably ICI Australia, which warned last month that poor trading conditions for its petrochemical and plastics products were likely to worsen following a 60 per cent cut in first-quarter trading profits.

Most resources companies will report lower profits for the six months to December because of the relative strength of the Australian dollar and the weakness of copper, lead and zinc prices.

CRA, for example, is expected to report profits of around A\$200m for the second half of its accounting year to December, compared with A\$270m in the first half. North Broken Hill Peko is likely to report steady first-half profits of around A\$52m, and Pasminco is likely to report profits of around A\$40, compared with A\$76m last year.

The banking sector will almost certainly bring in disappointing results, following a similar performance last year, but the big banks' reports will not be released until May because of their different reporting cycle.

Not all the news is bad. Foster's Brewing will report interim profits of between A\$100m and A\$140m, which will look good beside last year's full-year loss of A\$1.3bn, then an Australian record.

And News Corporation, Mr Rupert Murdoch's global communications group, is forecast to report interim net profits of around A\$146m, up from A\$136m, as a result of the success of the film Home Alone, made by its Twentieth Century Fox film subsidiary, which has so far grossed US\$200m.

News Corp's profits could rise to nearly A\$200m if it chooses not to equity account the results of BSkyB, the UK satellite operator in which it has a 50 per cent stake.

Most companies will have to wait for the economic recovery, expected to start towards the end of the year, for an improvement in their prospects. But the series of poor interim results is not expected to have a dramatic effect on the stock market because most prices have largely discounted the effects of the recession.

American Airlines reaches labour deal

By Nikki Tait

AMERICAN Airlines, one of the two largest and strongest US carriers, has reached tentative agreement on a labour contract with its pilots – finally dispelling the strike threat which has hung over the airline for months.

Announcement of the deal, which has to be ratified by the Allied Pilots Association's board of directors, came on Saturday morning, after an all-night bargaining session.

The two sides said they would meet again this week, to finalise the formal contract.

The previous contract between American and its pilots ran out at the end of 1989, and since then a number of contract offers have been turned down by the pilots.

Matters came to a head last month when, after two days of deliberations, the pilots' union decided against putting the latest offer – described as "final" by American – to its full membership.

American called in the National Mediation Board, a federal agency.

The dispute centred both on money and on certain aspects of the package, such as American's two-tier wage system and health benefits.

The dispute had become increasingly heated – with the pilots building a strike fund and American accusing its employees of staging a "sick-out" in the heavy pre-Christmas travel period. It blamed an 11 per cent cutback in flight capacity on this alleged action. The pilots denied organising such a move.

Peace at American comes as cost pressures continue to take a heavy toll on the US airline industry's profitability.

● NorthWest Airlines, the fourth largest US carrier, and the subject of a \$3.65bn leveraged buyout bid in 1989, has revealed a \$121m operating loss for the final quarter of 1990.

It said that the full-year loss came to \$10m, compared with a \$355m profit previously.

However, at the holding company level – once lease and interest payments were added in – the 1990 deficit widened to \$302m.

Mr John Dasburg, chief executive, blamed the figures on the jump in fuel prices and expenses resulting from the Middle East crisis.

During the year, the load factor at NorthWest improved by 1.6 points to 66.6 per cent.

Stena revises profit forecast

By Robert Taylor in Stockholm

STENA, the Swedish shipping company, has revised its preliminary profit (before financial items) for 1990 sharply downwards to around SKr100m (\$20m) from an expected SKr392m.

In a statement it said that the profit deterioration was partly caused by a restructuring of its reserve of SKr215m due to the rationalising and cost-cutting programme in its UK subsidiary Sealink Stena Line.

The group's preliminary results are due to be published on March 22.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Yields fall on hopes of rate cut

A WAVE of speculation about an imminent cut in UK base rates last week pushed down gilt yields, especially at the *short end of the market.* Many traders are convinced that Mr Norman Lamont, the chancellor, will sanction a cut in the next few weeks, perhaps as *early as Friday.*

The expectations led to a *slight flattening* in the yield curve, bearing out predictions from bond specialists since the start of the year *that* long-dated gilts were looking expensive compared with their shorter-dated counterparts.

The predictions are starting to become real. Investors showed much more interest in the *shorter end of the market,* where, for example, the bench*mark Treasury 10* per cent stock maturing in 1996 saw a jump in price of almost 1 point over the week. This bond was quoted on Friday night at 98⅝, its yield having declined over the week from 10.47 per cent to 10.24 per cent.

In contrast, the longer-dated *9 per cent Treasury bond* maturing in 2008 managed a price increase of only a ¼ point, to 93⅞, yielding 9.78 per cent on Friday as opposed to 9.81 per cent a week earlier.

Events of the past few days have reversed the trend of the *past two months, which have* seen sharp gains in prices for *long-dated gilts, with an* accompanying large decline in yields. That has happened due to stronger indications, linked to new evidence about the seriousness of the economic decline in the UK, that inflation will experience sharp and sustained falls over the next *year or so.*

Until the past week, shorter-*dated gilts have missed out on* much of the investor interest. That has been largely due to confidence in financial markets that Mr Lamont meant what he said about not rushing into an easing *in* borrowing conditions. The more firmly the chancellor told the world that his opportunities for cutting rates, now at 14 per cent, were limited, the less inclined gilt traders were to buy at the short end of the market.

In recent days, Mr Lamont has had little to say on the subject. *Instead,* Mr John Major has made reassuring noises in the Commons about the possibility of interest rate cuts as inflation falls.

Mr Ian Amstad, an economist at Chase Investment Bank, said: "My impression is that the currency markets have to some degree discounted a cut in UK rates."

Another indicator that suggests an *imminent* rate cut might be on the cards is the lack of evident efforts by the Bank of England to persuade the markets that monetary policy is unlikely to be eased. Late last year, during a previous period of speculation about rate cuts, the Bank went to *great lengths in its money mar*ket operations to nudge the world into thinking that borrowing conditions would remain unchanged.

In the past week, Threadneedle Street has sent out no such signals. Mr John Shepperd, *an economist at Warburg* Securities, said: "The Bank has given the impression that it is *happy to see the markets take* a bullish line on rate cuts."

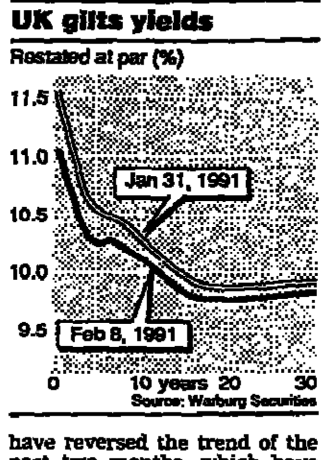
One *theory* is that the government could cut rates, perhaps by half a percentage point, on Friday, after announcing a further fall in inflation. *The annual rate of rise in retail* prices, 9.3 per cent in December, is expected to have declined to around 9 per cent in January. Further decreases, *to about 5 per cent by the end* of the year, are predicted by the Treasury and private-sector economists.

A final reason for expecting a reduction in rates soon concerns the seriousness of the *recession. On Thursday, the* government is announcing the latest trends on unemployment and industrial production. Both are expected to provide gloomy news about the speed of the decline. As well as bringing down inflation, the government also wants to get re-*elected. It knows that the* chances of this happening will be improved *if the economy* can be coaxed back into signs of life.

Peter Marsh

UK gilts yields

Restated at par (%)



Source: Warburg Securities

FRENCH BONDS

Flying start to FFr100bn programme

THE French government has made a flying start to this *year's* FFr100bn borrowing programme. The first bond auc*tion of the year raised* FFr10.6bn, including FFr3.5bn sold to primary dealers and central banks which have the right to submit non-competitive bids after the auction itself, at the weighted average price. *Last week's auction* fetched a further FFr9.915bn, *at improving rates.*

The Thursday auction itself saw bids coming in at *yields* 10 basis points below the secondary market, and the Trésor was able to sell FFr4.925bn of its main 10-year tapstock, the *OAT 9.5 per cent 2001, at a* weighted average yield of 9.22 per cent, 71 basis points lower than at the January auction. A further FFr973m was sold to non-competitive bidders.

The longer maturity OAT 8.5 per cent *2012* saw FFr2.15bn sold at auction, but almost as much again – FFr1.87bn – in non-competitive bids at the weighted average price of 9.25 per cent.

"The number of people ready to pay relatively dear for these bonds must be a good *sign,"* commented Mr Fabrice di Meglio of the Caisse des Dépôts et Consignations. "All the good points came together at the *same time: anticipations of* lower interest rates around the world, *bringing in the specula*tors; end investors coming back into the market; and, most encouraging for the Trésor, despite the strength of the German market a reduction in the spread at 10 years."

The continued buoyancy *of* the bond market will encourage Mr Pierre Bérégovoy, the finance minister, in his determination not to follow the recent *cut in interest rates by* the German Bundesbank.

This week, several dealers see the market taking a step backwards. The Matif futures market is overbought, increasing volatility, and the supply of new stock to the markets is *substantial.*

Further out, the question of supply appears to be causing less concern, even if many economists are now beginning to doubt the government's ability to hold its budget deficit to the target of FFr80bn.

The cost of the Gulf war *itself is, in Mr Bérégovoy's* words, "just a stroke of the pen". Mr Bérégovoy is proposing to freeze some FFr12bn of government spending plans to cover the FFr6bn to FFr7bn cost of France's military *involvement and the additional* burden on Coface, the state export credit guarantee company.

Quite separately from the war, *although possibly accen*tuated by war nerves, the slowdown in the French economy is having a marked effect on consumer spending, and this is sure to damage Value Added Tax revenues, which account for around half of French gov*ernment income. In addition,* Mr Roger Fauroux, the industry minister, wants to increase aid to industries which are particularly affected by the slowdown, although he will receive a dusty answer when he asks Mr Bérégovoy for more money.

Nevertheless, the amount of *likely budget overshoot should* not make the bond market blink.

"The bond market will easily be capable of absorbing FFr20bn or so more of government debt. Indeed, the decision *to seek FFr12bn of spending* cuts indicates the authorities' resolve to contain budgetary problems," comments Paribas Capital Markets, which is fore*casting a budget deficit of at* least FFr100bn this year.

George Graham

US MONEY AND CREDIT

For bonds, good times start to roll

A NEW phenomenon is hitting the news wires. The financial world, already used to daily filings from companies for Chap*ter 11 bankruptcy protection,* now confronting a similar flow of announcements concerning dividend cuts.

Last week, the list of compa*nies husbanding their* resources included General Motors, McDonnell Douglas and Goodyear Tire.

Politicians and economists *may* speculate about the depth and length of the recession, but when it comes to handing over hard currency, businessmen are reluctant to take chances.

All this is telling on the bond *markets. Here, a consensus* has developed. Its theme is that the recession is proving *neither* short nor shallow.

Analysts are reluctant to predict much of a rebound in the economy before mid-summer, even if the Gulf war goes well for the Allies.

Such a state of affairs might suggest the authorities should *have room to ease interest* rates further. Two factors underpin this optimism.

The first is the still-parlous state of the US banking system. As analysts at Salomon Brothers point out: "Structural impediments to a quick resurgence of economic activity are *still visible in the inability or* unwillingness of banks and *other financial institutions* to pursue aggressive lending. Thus far, this stance has dampened the effectiveness of Federal Reserve easing." In short, cheaper credit does not necessarily mean available credit.

The second is inflation, and the extent to which this has now been ground out of the system. There is agreement that the core PPI is unlikely to be up by more than 0.1 per cent last month.

That leads analysts to believe that an inflation rate of *under 4 per cent should be* achievable this year. "We *think that the* recession has cut around 1.25 to 1.5 per cent from the core rate," remarked S. G. Warburg. "Three per cent is now where we believe the inflation rate is headed."

So, with flexibility offered on the *inflation front, continuing* evidence of the recessionary squeeze in the corporate sector, and the banks acting as a filter for any Fed easing, the markets have drawn the obvious conclusion. Interest rates are going down, and by mid-year the Fed funds rate could be *sitting* at 5½ per cent. That could push long bond yields to around *the 7.5 per cent* mark.

That is why the bond market spent most of *last* week *in* buoyant mood. By mid-week, its long-running rally had pushed the yield on the benchmark 30-year Treasury bond to under 8 per cent, the lowest level for over a year. This, moreover, was achieved *despite* the first two tranches – in the form of three-year, followed by *10-year Treasury* note sales – of a record $34.5bn of government funding.

On Thursday, the third part of the bond sale – $11bn of new 30-year bonds – *finally* winded the market. Treasury bond prices fell back by around ¾ on average, and similar declines were visible in the investment grade corporate bond market.

But it was a short-lived breather. On Friday, the yield on the long bond retreated back below *the* 8 per cent mark, and stayed there. Demand was reportedly seen from both institutional and private investors. The market, in *short,* is on a roll.

Nikki Tait

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed funds (weekly average)	5.75	5.50	6.50	11.00	4.50
Three-month Treasury bills	6.07	6.15	6.32	7.98	6.07
Six-month Treasury bills	6.13	6.23	6.53	8.04	6.13
Three-month prime CDs	6.50	6.65	7.28	9.01	6.50
30-day Commercial Paper	6.35	6.70	7.00	9.95	6.35
90-day Commercial Paper	6.40	6.50	6.95	10.05	6.40

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	101[illegible]	+[illegible]	7.64	7.72	8.02
20-year Treasury	112[illegible]	+[illegible]	7.98	8.07	8.35
30-year Treasury	99[illegible]	-[illegible]	7.95	8.08	8.36

Money supply: In the week ended January 28, M1 *rose* by $4.1bn to $830.1bn.

NRI TOKYO BOND INDEX

December 1983 = 100	7/2/91	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	153.06	6.95	152.75	146.46	143.16
Government Bonds	151.15	6.76	150.80	143.38	139.80
Municipal Bonds	155.79	6.94	155.59	148.97	144.54
Govt.-guaranteed Bonds	157.99	7.06	157.70	151.62	147.81
Bank Debentures	149.74	7.01	149.54	144.63	141.72
Corporate Bonds	154.69	7.47	154.09	149.36	147.27
Yen-denom. Foreign Bonds	157.85	8.12	157.61	151.44	154.55
Government 10-year†	6.46		6.50	7.24	7.39

† Estimated par yield

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	101[illegible]	+[illegible]	7.99
ABN 9 1/8 94	200	102[illegible]	+[illegible]	8.37
AETNA LIFE & CAS 7 3/4 16	200	98[illegible]	+[illegible]	7.86
ALBERTA PROVINCE 8 5/8 96	750	101[illegible]	+[illegible]	8.30
ALBERTA PROVINCE 9 3/8 95	600	104[illegible]	+[illegible]	8.20
AMERICAN EXPRESS 0 00	450	40[illegible]	+[illegible]	9.72
AMERICAN GENERAL 9 3/4 95	100	97[illegible]	+[illegible]	10.57
ANHEUSER-BUSCH 9 1/8 92	100	101[illegible]	+[illegible]	7.85
ASIAN DEV BANK 0 04	1000	31[illegible]	+[illegible]	8.89
[illegible]				

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on February 8

Continued on Page 21

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LENDING

Inntrepreneur deal may be set for launch

THE LONG awaited revised financing for Inntrepreneur Estates, the holding company in the pubs-for-breweries swap agreed by Grand Metropolitan and Elders IXL, may be launched this week.

The original £1.8bn package was put together by Citicorp and S. G. Warburg last year, but suspended when the exchange was referred to the Monopolies and Mergers Commission in April. The deal was cleared in November.

Details are sparse, but sources suggest that Barclays Bank and National Westminster Bank have been added to the original group.

The loan is understood to have been reduced to £1.3bn, against falling UK property prices and the uncertain economic climate.

The pricing of the deal has been revised in the light of changed market conditions. Last year, the deal was priced at an initial margin of 87.5 basis over the London interbank offered rate, falling as pubs are sold to repay portions. Bankers suggested an initial margin of 150 basis points would be appropriate this time.

Elsewhere, Union Bank of Switzerland is arranging a £100m three-year financing for Mortgage Funding Corporation, the UK centralised mortgage lender. It is understood to be structured as a revolving credit facility (drawn and repaid according to need) for the first 15 months and then as a term loan (repaid in one amount at maturity).

Market sources suggest a margin of 55 basis points, with fees up to a maximum of 17½ basis points and a commitment fee of 20 basis points.

The loan is backed by domestic mortgages and carries only a 50 per cent risk weighting on the books up to January 1993. After 1993, however, the risk weighting of the loan is uncertain. The Bank of England recently ruled that mortgage-backed securities must carry a 100 per cent risk weighting on the books after that and the treatment of mortgage-backed loans is uncertain.

Norske-Shell, a Norwegian subsidiary of Royal Dutch Shell, is raising $250m in a two-tranche deal arranged by Barclays Syndications. The co-arrangers are Bank of New York, Banque Indosuez, Den Norske Bank and Rabobank.

The first tranche is a $75m 6-year term loan. The margin is 37½ basis points over Libor with a commitment fee of 12¼ basis points. The second tranche is structured as a $175m revolving facility, also at a margin of 37½ basis points. The commitment fee is 18¾ basis points. The pricing is regarded as tight by some in the market. However, the large group and the prestige of the parent company may ensure a smooth syndication.

Mitsubishi Bank is arranging a $50m seven-year term loan for Rautaruukki, the Finnish state-owned steel company. The margin is 50 basis points over Libor, which was regarded as tight by some market participants. While the transaction does not carry an explicit Finnish government guarantee, documentation provides for continued state ownership of the borrower.

While remaining tight-lipped about the Rautaruukki deal, Mitsubishi said it has signed a $30m two-year loan arranged for Eleusis Shipyards, guaranteed by the Republic of Greece. The deal was co-arranged by Bank of New York.

Mitsubishi appears to have cornered the market in Greek state-backed borrowers. Deals for Hellenic Railways and the Bank of Greece were arranged late last year and signed in the past two weeks. A $30m five-year deal for Olympic Airways, co-arranged with Standard Chartered, is near completion at a margin of 75 basis points.

Simon London

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	630.0	0.0	75.0	12,434.3
Prev	706.1	0.0	200.0	12,240.1
Other	1,327.2	0.0	123.1	8,436.8
Prev	247.4	0.0	507.8	5,173.2
Secondary Market				
US$	27,155.1	665.7	8,265.7	7,721.1
Prev	25,318.7	694.4	5,828.2	9,883.3
Other	32,192.1	1,115.9	5,985.7	63,079.1
Prev	30,760.4	951.5	6,083.7	59,792.1
	Cedel	Euroclear	Total	
US$	23,096.7	33,850.2	56,946.9	
Prev	24,822.9	30,047.9	54,870.8	
Other	47,013.6	65,246.3	112,259.9	
Prev	42,709.2	60,806.5	103,515.7	

Week to February 7 1991 Source: AIBD

INTERNATIONAL BONDS

Investors seek the weaker, but still mighty, dollar

THE WAVE of demand for dollar securities, heightened by the cut in US interest rates on February 1, was last exceeded in the mid-1980s, according to investment bankers.

A surge of new issues in the Eurobond and US domestic bond markets was soaked up last week, pushing funding rates down further, so encouraging borrowers to tap the market. "There is a bull market in interest rates. Investors have an extremely strong view for a change," said one trader.

With the US economy in recession, they feel interest rates are set to tumble. The weakness of the dollar has been seen as a buying opportunity. Many investors believe the foreign exchanges have discounted the next interest rate cut in the US, and seem to think gains on interest rates will exceed losses on the currency.

In addition to Italy's $2bn Eurobond at the end of January, a flood of 10-year paper last week for Oesterreichische Kontrollbank, Austria, Japan Development Bank, Hydro Quebec and the Province of Ontario failed to dent enthusiasm for dollar securities.

The predilection for 10-year paper is shared by borrowers, because of favourable swap rates, and investors, because that area of the yield curve looks set to perform best when interest rates fall.

The prevalence of government and supranational credits in the Eurobond market has become more pronounced. The last corporate Eurobond was for General Electric Capital Corporation two weeks ago.

"The Eurodollar bond market has become a sovereign and supranational market. The dollar bond market for corporates is in the US," says one banker. US corporate borrowers have no incentive to tap the Eurobond market, since the US bond market offers considerably cheaper funds.

Last week, IBM issued three-year paper in the US market at a spread of 28 basis points above US Treasuries, at least 20 basis points less than the company would have had to pay in the Eurobond market, dealers said. Oil companies Exxon and Shell raised five-year debt in the US at just above 30 basis points over the yield curve, cheaper funding than possible in Europe.

Falling borrowing costs in the Eurobond market – illustrated by Ontario's ability to launch a successful $600m debut issue on Friday at 55 basis points above the US Treasury – have been facilitated by the tightening of spreads in the secondary market for Eurodollar bonds. Despite last week's US Treasury market rally, Eurobond yield spreads tightened by three to five basis points.

Spreads are expected to narrow further, and some borrowers are planning to tap the market ahead of any financing requirement, in order to catch advantageous rates. Among deals close to fruition, Nippon Telegraph & Telephone and the Export-Import Bank of Japan are both expected to bring 10-year deals at the start of the week. Other borrowers eyeing the market include the International Finance Corporation (the World Bank affiliate), Norway, the Canadian province of Alberta, and the Export Development Corporation of Canada.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Bandai Co.(a)Φ♦	100	1995	4	4½	100	Daiwa Europe	4.500
Republic of Italy(c)♦	500	2001	10	8¾	99.98	Merrill Lynch Int.	8.753
Mitsui Mining & Smelt.(a)Φ♦	200	1995	4	4½	100	Nomura Int.	4.500
Toyo Eng.Corp(h)Φ♦	150	1995	4	4½	100	Yamaichi Int.	4.500
Optec Dai-Ichi Denko(i)Φ♦	100	1995	4	4½	100	Yamaichi Int.	4.500
Nippon Comsys Corp(a)Φ♦	100	1995	4	4½	100	Nikko Secs.	4.500
MBL Fin.(Curacao) NV(j)♦	300	2001	10	8⅝	100	Mitsubishi Fin.Int.	8.625
Bk of Tokyo Curaca(k)♦	200	2001	10	8⅝	101½	Bk of Tokyo Cap.Mkts.	8.397
Osterreichische K'Bank♦	200	2001	10	8½	99.77	Goldman Sachs Int.	8.535
Nestle Hldgs.Inc.(l)Φ♦	200	1998	7	6	100	CSFB	6.000
Keihan Elec.Rlwy.Φ	150	1995	4	4½	100	Nikko Secs.	4.500
Tokyu Store ChainΦ	100	1995	4	4½	100	Nomura Int.	4.500
Republic of Austria(o)♦	200	2003	12	8½	(o)	UBS Phillips & Drew	8.599
Fujikura LtdΦ♦	200	1998	7	6	100	Nomura Int.	6.000
Japan Devt.Bk♦	500	2001	10	8⅜	99.09	Merrill Lynch Int.	8.514
Hydro-Quebec♦	300	2001	10	9	99.80	SG Warburg Secs.	9.031
Thermo Electron Corp(v)§♦	65	2001	10	6¾	100	Lehman Bros.Int.	6.750
Toppan Printing Co.(t)Φ♦	370	1995	4	4½	100	Nomura Int.	4.500
Japan Radio Co(a)Φ♦	100	1995	4	4½	100	Nikko Secs.	4.500
Province of Ontario♦	600	2001	10	8½	99.59	Deutsche Bk Cap.Mkts	8.563
STERLING							
Eurofima(q)♦	40	1999	8	11⅜	101.70	JP Morgan Secs.	11.042
Swedish Export Credit(x)♦	50	1996	6	10⅜	97.688	NatWest Cap.Mkts.	11.001
CANADIAN DOLLARS							
Deutsche Bk Fin.NV♦	125	2001	10	10¼	101.55	Deutsche Bk Cap.Mkts.	9.998
AUSTRALIAN DOLLARS							
BP America Inc.♦	100	1996	5	12¼	101⅛	Hambros Bank	11.938
Shell Australia Ltd♦	125	1996	5	12¼	101¾	Hambros Bank	11.767
ECUs							
Republic of Finland♦	500	1998	7	9½	101.27	Nomura Int.	9.245
FRENCH FRANCS							
Eurofima(m)♦	500	2000	9½	9⅞	100	Credit Lyonnais	9.856
Credit Lyonnais(p)♦	700	1995	4⅓	10	99.50	Credit Lyonnais	10.116
D-MARKS							
Mitsubishi Shindoh(a)Φ♦	65	1995	4	5⅛	100	Nikko Secs. GmbH	5.125
Kayaba Industry(a)Φ♦	90	1995	4	5⅛	100	WestLB	5.125
S.E. Banken♦	200	1994	3	9	101¾	CSFB Effectenbank	8.317
Hoxan CorpΦ	60	1995	4	5⅛	100	Yamaichi Int. GmbH	5.125
Banco Di Napoli (H.K)(r)†♦	80	2001	10	(r)	102.45	Merrill Lynch AG	-
SWISS FRANCS							
Kyokuto Kaihatsu(b)★★Φ♦	100	1995	-	5⅛	100	Nomura Bank (Switz)	5.125
Austrian Airlines(d)♦	100	2003	-	7¼	101½	Wirtschafts & Privatbk.	7.061
Nippei Toyama Corp(n)★★Φ	90	1996	-	5	100	Nomura Bank (Switz)	5.000
Yamato Int.Inc.(a)★★Φ♦	50	1996	-	5⅛	100	J Henry Schroder Bk	5.125
Ned'landse Gasunie★★♦	150	1996	-	7	102	UBS	6.519
Deutsche Bk Fin. NV★★♦	150	1996	-	7	102	Deutsche Bk (Suisse)	6.519
S.E. Banken♦	100	1996	-	7	101½	Credit Suisse	6.638
Pokka Corp★★Φ	80	1996	-	5	100	Credit Suisse	4.750
Volkswagen Int.Fin.BV★★♦	200	1995	-	7	102	UBS	6.417
WestLB Int.Fin.Curacao★★♦	100	1996	-	7	102⅜	Swiss Volksbank	6.430
BP America Inc.★★♦	100	1996	-	7	102	Credit Suisse	6.519
ABB Capital BV★★♦	100	1996	-	7	102	SBC	6.519
Cr.Local de France★★♦	75	1994	-	7¼	101⅝	Credit Suisse	6.635
LKB Baden-W'berg★★♦	50	1996	-	7	102¼	SBC	6.459
Jindo Corp(u)★★§	25	1996	-	6	100	SBC	6.000
Gen.Elec.Cap.Corp★★♦	125	1996	-	7	102	Bque.Paribas (Suisse)	6.519
GUILDERS							
ABN Amro Holding NV♦	750	2001	10	9¼	100	ABN Amro	9.250
LIRE							
Dresdner Fin.BV♦	150bn	1995	4	13	101⅝	Is.Mobiliare Italiano	12.460
PESETAS							
Inter-American Devt.Bk(e)♦	10bn	1996	5	14.15	101⅝	Bco.Exterior d'Espana	13.680
EIB(e)♦	20bn	2001	10	14	101.80	Banesto	13.659
YEN							
Compagnie Bancaire(f)†♦	6bn	1993	2	(f)	101⅜	LTCB Int.	-
Asahi Beer Int.Hldg.♦	65bn	1996	5	7.30	101.15	Daiwa Europe	7.020
Toho Gas Co.♦	10bn	1998	7	7¼	101½	Nomura Int.	6.972
Asian Devt.Bk(s)♦	20bn	2001	10	7.20	95	Nomura Secs.	7.943
Council of Europe♦	35bn	2001	10	6⅞	99.80	Daiwa Europe	6.903
Kajima Europe BV★★♦	10bn	1995	4¼	7.3	101.40	Daiwa Europe	6.896
Interfinance Cr.Nat.NV(y)†♦	5bn	1992	1¼	(y)	100⅞	LTCB Int.	-
Nordic Inv.Bk(w)♦	20bn	1995	4½	7¼	101⅜	IBJ Int.	6.868
LUXEMBOURG FRANCS							
CL Belgium Fin. SA★★♦	500	1997	6	9¾	101¾	Credit Lyonnais	9.356
Aux.Cr.de Fon.d'France★★♦	1bn	1998	7	9⅞	102⅜	Banque Indosuez	9.397
Volvo Gp.Fin.Europe BV★★♦	1bn	1994	3	10	102.10	BIL	9.168
EIB(g)♦	1bn	1998	7	9⅝	102	BGL	9.225
Genfinance (Lux.) SA♦	1bn	1998	7	9¾	102	BGL	9.348
Okobank★★♦	500	1996	5	9⅞	102.20	Banque Indosuez	9.305
Varde Bank★★♦	600	1996	5	10	102	KBL	9.479
Tractabel Int.BV(z)★★♦	1bn	1998	7.167	9⅝	102¼	Banque Paribas (Lux.)	9.171
Enso-Gutzeit OY★★♦	500	1996	5	9¾	102⅛	Banque Indosuez	9.201

★★Private placement. ΦWith equity warrants. †Floating rate note. ♦Variable rate notes. ♦Final terms. a) Exercise premium fixed at 2.5%. Non-callable. b) Early redemption 14/2/93 at 102% declining ½% semi-annually. Exercise premium fixed at 2.5%. c) Additional tranche of issue launched 29/1/91. Deal now totals $2bn. Non-callable. d) Early redemption after 8 years at 101½%. e) Matador issue. Non-callable. f) Nikkei-linked issue. Coupon pays for first 3 months, 3-month Libor + ⅛%, then fixed at 8% thereafter. Non-callable. g) Callable 1995 at 100¾%, 1996 at 100½%, and 1997 at 100¼%. h) Exercise premium fixed at 2.62%. Non-callable. i) Exercise premium fixed at 2.59%. Non-callable. j) Subordinated issue. Callable at par from 21/2/98. k) Subordinated issue. Callable at par from 28/2/98. l) Put option if Nestle SA ceases to own at least 51% of issuer at accrued redemption amount. Exercise premium fixed at 22.6%. m) Fungible with existing FFr1bn deal. Non-callable. n) Callable 21/8/93 at 102½% declining ½% semi-annually. o) Fixed price reoffer – 99.275%. Non-callable. p) Fungible with existing FFr2bn deal. Non-callable. q) Fungible with existing £125m deal. Non-callable. r) Callable after 5 years at par. Coupon pays 10% for first 5 years, then 6-month Libor +1¼% thereafter. s) Samurai Dual Currency issue. Interest payable in Australian dollars, redemption payable in Yen. t) Exercise premium fixed at 2.54%. Non-callable. u) Callable from 31/12/93 at 110⅞%. Put option 31/12/93 at 110⅞% to yield 9.5%. v) Callable at 103% from 1994 declining by 1% per annum to par. Conversion premium fixed at 12.85%. w) Fungible with existing Y30bn deal. x) Fungible with existing £100m deal. Non-callable. y) Nikkei-linked issue. Coupon pays Libor + ⅛% for first 3 months, then fixed at 9% thereafter. z) Callable after 5 years at 100½%, and 6 years at 100¼%. Note: Yields are calculated on AIBD basis.

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices February 8

MONTREAL
Closing prices February 8

INDICES

NEW YORK

DOW JONES	Feb. 8	Feb. 7	Feb. 6	Feb. 5	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2830.69	2810.64	2830.94	2788.37	2999.75 (16/7/90)	2365.10 (11/10/90)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	(u)	93.69	93.66	93.74	93.74 (5/2/91)	88.44 (24/9/90)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1102.26	1103.67	1113.01	1090.27	1212.77 (6/6/90)	821.93 (17/10/90)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.66	213.47	210.83	207.94	236.23 (2/1/90)	190.96 (24/8/90)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2847.28 (2875.50) Low 2787.13 (2790.59)

STANDARD AND POOR'S

	Feb. 8	Feb. 7	Feb. 6	Feb. 5	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	339.34	356.52	358.07	351.26	368.95 (16/7/90)	295.46 (11/10/90)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	423.79	420.38	422.64	414.26	437.37 (16/7/90)	346.86 (11/10/90)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	27.50	27.33	27.57	27.18	31.87 (3/1/90)	18.80 (29/10/90)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	196.10	194.74	195.38	191.89	201.13 (16/7/90)	162.20 (11/10/90)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt Value	336.88	334.66	332.73	326.41	382.45 (5/1/90)	288.07 (30/10/90)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	436.80	435.01	439.24	432.20	469.60 (16/7/90)	325.44 (16/10/90)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb. 1	Jan. 25	Jan. 18	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.88	3.90	4.16

	Feb. 6	Jan. 30	Jan. 23	year ago (approx.)
S & P Industrial div. yield	3.01	3.20	3.30	2.89
S & P Indl. P/E ratio	17.39	16.58	16.03	14.68

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
RJ Nabisco	7,328,900	7⅛	- ⅛
Unysis Corp	4,841,700	4	+ 1⅛
West Dig	3,134,600	4½	- 1⅞
Gen Motors	2,635,200	37¼	+ 1⅞
Chrysler	2,598,900	11⅞	- ⅛
Boeing	2,021,700	52½	+ 1½
IBM	1,751,700	129½	+ 1
Philip Morris	1,712,100	59¼	+ ⅞
Exxon	1,675,100	53⅛	- ⅝
Am T & T	1,643,300	34	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Feb. 8	Feb. 7	Feb. 6
New York	187.840	293.399	276.940
Amex	13.968	20.895	21.339
NASDAQ	(u)	245.597	219.589
Issues Traded	2,037	2,060	2,051
Rises	977	836	1,203
Falls	618	837	453
Unchanged	442	388	395
New Highs	84	172	168
New Lows	2	8	8

CANADA

TORONTO	Feb. 8	Feb. 7	Feb. 6	Feb. 5	1990-91 HIGH	1990-91 LOW
Metals & Minerals	3071.77	3062.19	3073.48	3030.13	3453.05 (4/1/90)	2486.60 (8/11/90)
Composite	3445.27	3431.67	3424.03	3365.82	4009.47 (3/1/90)	3009.91 (16/10/90)
MONTREAL Portfolio	1851.31	1845.03	1845.81	1817.95	2060.90 (3/1/90)	1607.24 (16/10/90)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 8	Feb. 7	Feb. 6	Feb. 5	1990-91 HIGH	1990-91 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1340.4	1344.5	1348.7	1354.4	1713.7 (12/1/90)	1204.5 (16/1/91)
All Mining (1/1/80)	585.4	584.3	586.9	587.9	860.8 (5/1/90)	561.6 (16/1/91)
AUSTRIA						
Credit Aktien (30/12/84)	433.40	434.61	433.41	434.50	705.29 (19/3/90)	393.54 (16/1/91)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5121.17	5086.87	5055.98	5003.34	6599.43 (12/1/90)	4664.84 (16/1/91)
DENMARK						
Copenhagen SE (3/1/83)	(u)	326.25	320.91	319.00	388.29 (20/7/90)	302.26 (8/1/91)
FINLAND						
Unitas General (1975)	362.0	358.4	357.7	359.6	677.3 (23/1/90)	348.4 (9/1/91)
FRANCE						
CAC General (31/12/82)	424.90	426.62	423.69	423.83	564.62 (30/5/90)	394.88 (15/1/91)
CAC 40 (31/12/87)	1622.75	1598.22	1598.11	1606.38	2129.32 (20/4/90)	1441.17 (14/1/91)
GERMANY						
FAZ Aktien (31/12/58)	620.23	616.49	611.92	616.66	832.32 (19/7/90)	569.69 (28/9/90)
Commerzbank (1/12/53)	1761.3	1754.7	1735.6	1754.3	2414.0 (3/4/90)	1612.5 (15/1/91)
DAX (30/12/87)	1467.82	1436.26	1428.69	1438.85	1968.55 (30/3/90)	1322.88 (16/1/91)
HONG KONG						
Hang Seng Bank (31/7/64)	3359.09	3333.98	3365.46	3345.41	3559.89 (23/7/90)	2738.24 (1/2/90)
IRELAND						
ISEQ Overall (4/1/88)	1222.22	1217.02	1192.96	1174.50	1893.10 (22/1/90)	1114.86 (25/1/91)
ITALY						
Banca Com. Ital. (1972)	522.81	519.55	512.20	509.24	763.52 (14/6/90)	486.26 (29/1/91)
JAPAN						
Nikkei (16/5/49)	24296.08	24104.43	23952.04	23821.57	38712.88 (4/1/90)	20221.86 (1/10/90)
Tokyo SE (Topix) (4/1/68)	1805.28	1786.86	1772.78	1750.57	2867.70 (4/1/90)	1523.43 (1/10/90)
2nd Section (4/1/68)	2695.24	2661.03	2640.94	2600.79	4477.16 (16/7/90)	2499.15 (29/1/91)
MALAYSIA						
KLSE Composite (4/4/86)	518.93	519.50	513.72	508.98	632.22 (1/8/90)	459.08 (28/9/90)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	234.3	232.8	229.5	229.2	271.9 (20/7/90)	221.4 (16/1/91)
CBS All Shr (End 1983)	171.3	170.2	167.9	167.6	206.3 (3/1/90)	162.3 (16/1/91)
NORWAY						
Oslo SE (Ind) (2/1/83)	648.69	649.70	632.77	627.75	915.13 (2/8/90)	610.45 (21/1/91)
PHILIPPINES						
Manila Comp (2/1/85)	841.72	857.51	863.45	805.16	1160.70 (21/3/90)	514.80 (5/10/90)
SINGAPORE						
SES All-Singapore (2/4/75)	351.17	352.12	350.71	350.64	446.87 (16/7/90)	301.45 (11/10/90)
SOUTH AFRICA						
JSE Gold (28/9/78)	1075.0	1030.0	976.0	1004.0	2230.0 (16/1/90)	976.0 (6/2/91)
JSE Industrial (28/9/78)	3049.0	3029.0	2988.0	2956.0	3211.0 (6/2/90)	2640.0 (1/10/90)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	628.85	634.31	635.66	631.93	928.82 (4/1/90)	566.27 (17/9/90)
SPAIN						
Madrid SE (30/12/85)	240.62	239.61	237.54	237.07	309.74 (16/7/90)	209.37 (28/9/90)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	975.8	964.0	984.4	991.1	1329.9 (5/7/90)	808.4 (8/1/91)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	645.0	640.9	638.8	646.0	845.5 (13/7/90)	590.4 (14/1/91)
SBC General (1/4/87)	548.8	544.9	542.2	546.2	698.2 (13/7/90)	487.1 (14/1/91)
TAIWAN**						
Weighted Price (30/6/66)	4460.04	4384.19	4236.88	4314.27	12495.34 (10/2/90)	2560.47 (1/10/90)
THAILAND						
Bangkok SET (30/4/75)	728.36	720.44	701.75	711.09	1143.78 (25/7/90)	544.30 (30/11/90)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	503.0*	500.4	497.6	490.3	571.0 (4/1/90)	423.1 (28/9/90)

**Saturday February 2: Taiwan Weighted Price: 4026.01, Korea Comp Ex. 634.72.
*Calculated at 15.00 GMT.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday 8 February 1991

	Stocks Traded	Closing Prices	Change on day
M'bishi Mtrls	21.4m	651	+22
Chiyoda Corp	18.5m	2,370	+20
Furukawa Elec	14.3m	790	-3
Kurabo Inds	14.2m	1,400	+120
M'Bishi Heavy	10.6m	788	+5
Hitachi	10.2m	1,150	-
Kalsei El Rl	8.3m	1,600	+50
Nomura Secs	7.6m	1,970	+20
Tokio Marine	7.1m	1,410	+20
Sumitomo Chem	7.0m	526	+23

Continued on Page 21

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Marks & Spencer Unit Trust Ltd (1200)F						
PO Box 410, Chester X, CH99 9DG 0244 680066						
M & S Ian P'folio	5¼	100.2	100.2xd	107.1	2.80	46595
Do Accum	5¼	106.0	106.0xd	113.3	2.80	46596
UK Sel P'folio	5¼	89.06	89.06	95.25	4.98	47804
Do Accum	5¼	93.12	93.12	99.59	4.94	47805
Marlborough Fund Managers Ltd (1630)F						
57 Victoria Square, Bolton, BL1 1LA 0204 364842						
Managed Tst	5	47.09	47.47	50.50	5.23	46689
Martin Currie Unit Trusts Ltd (0905)H						
49 Melville St, Edinburgh EH3 7HF Dlng 031-220 4924						
Far East (Pacific)	5¼	81.36	81.36	86.36	0.49	41357
Income & Growth	5¼	52.68	52.68xd	55.92	5.84	41358
European (z) ◆	5¼	49.68	50.34xd	53.43	1.33	41359
Nth American (z)	5¼	31.12	31.12	33.03	1.59	41360
Intl Growth(4-1)	5¼	52.46	53.54	56.83	0.89	41361
UK Growth	5¼	46.50	46.50	49.36	2.90	41362
Intl Income	5¼	42.88	43.35	46.01	6.49	46966
High Yield	5¼	41.35	41.95xd	44.53	7.73	46965
Charities	5¼	81.96	83.29xd	88.41	6.33	46963
Japan	5¼	34.62	34.62	36.75	–	47589
Matheson Unit Trust Managers Ltd (1200)H						
Admin 5 Rayleigh Rd, Hutton, Brentwood, Essex Enquiries 0277 227300 Dealing 0277 261010						
UK Growth (4-1)	6	59.03	60.44	64.64	9.82	46355
UK High Income	6	31.48	31.48	33.67	6.00	46356
NFU Mutual Unit Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex Enquiries 0277 227300 Dealing 0277 261010						
Avon Equity	6	81.86	83.40xd	88.72	4.06	41071
NM Unit Trust Mngrs (1200)H						
The Bilton Centre, North Harbour, Portsmouth Enquiries: 0705 372222 Dealing: 0705 387730						
American ♥	5¼	26.58	26.58	28.35	1.80	41072
(Accum Units) ♥	5¼	28.44	28.44	30.33	1.80	41073
Australian ♥	5¼	137.90	137.90xd	147.90	2.42	41074
(Accum Units) ♥	5¼	157.10	157.10	168.50	2.42	41075
Conscience	5¼	44.15	45.03	48.05	1.62	41076
(Accum Units)	5¼	46.30	47.22	50.39	1.62	41077
European	5¼	128.50	128.50	137.00	1.14	41078
(Accum Units)	5¼	135.60	135.60	144.60	1.14	41079
Extra Income	5¼	59.39	59.39	63.38	10.29	41080
(Accum Units)	5¼	80.02	80.02	85.40	10.29	41081
Far East Gth Acc ♥	5¼	94.29	94.29	100.70	0.31	41082
Gilt & F.I.	5¼	50.97	50.97xd	53.95	9.29	41083
(Accum Units)	5¼	107.30	107.30	113.50	9.29	41084

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (◆) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (◆) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT.

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
TSB Unit Trusts (1200)H						
Charlton Pl, Andover, Hants SP10 1RE 0264 346794						
TSB American	6	110.3	111.02	118.1	0.58	41457
Do Accum	6	120.57	121.36	129.1	0.58	41458
TSB Brit Growth	6	66.37	67.42	71.72	3.8	41459
Do Accum	6	73.38	74.54	79.29	3.8	41460
TSB European	6	65.86	66.22xd	70.44	1.18	41461
Do Accum	6	68.25	68.63xd	73.0	1.18	41462
TSB Extra Income	6	144.93	148.13	157.58	5.75	41463
Do Accum	6	204.97	209.5	222.87	5.75	41464
TSB Smaller Cos	6	36.97	38.45	40.9	3.58	41465
Do Accum	6	38.77	40.32	42.89	3.58	41466
TSB General	6	200.99	204.4xd	217.5	4.1	41467
Do Accum	6	375.0	381.49xd	405.82	4.1	41468
TSB Premier Income	5	42.48	43.1xd	44.89	9.54	41469
Do Accum	5	76.02	77.15xd	80.36	9.54	41470
TSB Income	6	268.23	273.52	290.97	5.66	41471
Do Accum	6	498.63	508.47	540.92	5.66	41472
TSB Pacific	6	190.83	193.91	206.28	0.48	41473
Do Accum	6	198.56	201.76	214.63	0.48	41474
TSB International	6	340.74	340.74	362.48	1.35	41475
Do Accum	6	437.07	437.07	464.96	1.35	41476
TSB Nat Resources	6	51.9	52.94	56.31	1.36	41477
Do Accum	6	56.3	57.42	61.08	1.36	41478
TSB Sictd Opps	6	68.72	70.39	74.88	3.94	41479
Do Accum	6	82.02	84.01	89.37	3.94	41480
Environmental Inv	6	41.41	42.11xd	44.79	2.52	46849
Do Accum	6	42.72	43.44xd	46.21	2.52	46850
TSB Selector	6	42.88	43.72	46.5	4.59	47660
Do Accum	6	44.19	45.05	47.92	4.59	47661
TSB High Income	6	46.15	46.89	49.88	6.32	44558
Do Accum	6	47.37	48.14	51.21	6.32	44559
TSB Intl Income	6	48.38	48.6	51.7	6.87	44560
Do Accum	6	48.38	48.6	51.7	6.87	44561
TSB Selector Income	6	46.43	47.0	49.99	6.6	44562
Do Accum	6	46.43	47.0	49.99	6.6	44563
Target Trust Mngrs Ltd (1600)F						
Target Hse Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 0296 312156						
American Eagle	5	64.96	64.96	69.41	1.23	41482
Australia	5	4.998	4.998xd	5.353	4.98	41483
Equity	5	146.5	146.5xd	157.3	4.89	41486
Euro Spec Sits	5	96.94	96.94	104.1	0.66	41487
Financial	5	25.86	25.97	27.94	5.34	41488
Global Opps Inc	5	56.75	56.75	61.05	1.75	41489
Global Opps Acc	5	57.98	57.98	62.38	1.75	41490
Gold & Gen Inc	5	32.84	32.84	35.37	1.55	41491
Gold & Gen Acc	5	61.40	61.40	66.13	1.55	41492
Income	5	93.01	93.01	100.1	6.56	41493
Japan & General	5	116.8	116.8	125.6	0.00	41494

	Bid Price	Offer Price	Yield Gross	City-line
M & G Securities Ltd				
Charibond	100.2	100.2xd	10.78	40883
(Accum Units)	545.8	545.8	10.78	40884
NAACIF Feb 5	–	39.4xd	10.19	46917
MIM Ltd				
Exempt Funds				
Intl Mngd P'Folio	1002.0	1080.0	–	46964
Mngd Pens (Acc)	59.50	63.40	–	41007
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Jan 31	113.7	121.9	3.21	46925
UK Small Co † Jan 31	413.7	451.9	2.36	46926
Fixed Interest † Jan 31	103.8	109.1	8.14	46920
US Small Co Jan 31	116.3	124.2	0.00	46927
Managed Jan 31	95.54	101.7	1.43	46924
Intl Bond Jan 31	109.7	115.7	7.91	47790
Japan Jan 31	61.39	65.60	1.04	47877
European Jan 31	77.31	82.90	1.78	47876
Nth American Jan 31	86.42	92.70	1.52	47878
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Feb 6	41.41	43.06xd	2.96	41064
Euro Expt Feb 6	45.23	47.50xd	2.44	41065
Fixed Int Ex Feb 6	45.91	47.05	10.50	46594
Japan Expt Feb 6	39.29	40.86	1.43	41066
Managed Ex Feb 7	38.54	40.08	5.02	41067
SE Asia Expt Feb 6	58.15	61.05	4.05	41068
Sm Cos Expt Feb 6	26.47	27.79	5.61	41069
UK Eqty Ex Feb 6	36.03	37.84xd	4.84	41070
Phillips & Drew Fund Management Ltd				
Small Co's Feb 5	570.0	609.8xd	5.94	41138
Do Accum	640.3	684.9	5.94	41139
Int Expt Feb 6	151.0	153.8	3.16	41140
UK Index Feb 5	1013	1030	5.85	46945
Do Accum	1083	1101	5.85	46946
Convertible Feb 1	81.68	84.38	8.84	46938
World ex UK Index Feb 4	662.5	670.9xd	2.53	47887
Do Accum	662.5	670.9	2.53	47888
Japan Index Feb 4	515.6	522.7xd	0.67	47881
Do Accum	516.9	523.9	0.67	47882
USA Index Feb 4	795	799.8xd	4.19	47885
Do Accum	814.6	819.4	4.19	47886
Europe ex UK Index Feb 4	781.0	800.4xd	3.29	47879
Do Accum	798.7	818.5	3.29	47880
Pacific ex Jap Index Feb 4	726.0	747.0xd	5.54	47883
Do Accum	753.1	774.7	5.54	47884
Managed Exempt Feb 6	91.92	93.78	5.81	40338

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

	Bid Price	Offer Price	Yield Gross	City-line
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	95.3	100.3	-	41924
Pension Managed Fd	90.7	95.5	-	41926
Life Deposit Fd	104.3	109.8	-	41923
Pension Deposit Fd	108.3	114.0	-	41925
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	99.2	108.5	-	47150
Managed Growth	119.6	130.8	-	47151
Managed Opportunity	115.3	126.1	-	47152
NFMC Target Financial	89.1	96.4	-	47153
Pension Funds				
Managed Cautionary	107.6	117.7	-	47154
Managed Growth	125.3	137.7	-	47155
Managed Opportunity	118.1	129.1	-	47156
NFMC Target Mngd Pen	1333.8	1449.8	-	47157
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	144.4	152.0	-	43141
UK Equity	148.2	156.0	-	43135
Overseas Equity	118.4	124.7	-	43136
Fixed Interest	140.6	148.1	-	43137
Property	129.1	135.9	-	43138
Index Linked	142.9	150.5	-	43139
Deposit	150.1	158.1	-	43140
With Profits (B)	125.7	132.4	-	44128
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	315.8	332.5	-	43163
UK Equity	394.5	415.3	-	43164
Overseas Eq	300.2	316.0	-	43165
American	233.2	245.5	-	43166
Far East	309.9	326.3	-	43167
Property	193.0	203.2	-	43168

	Bid Price	Offer Price	Yield Gross	City-line
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555				
Initial Equity	141.5	149.5	-	42995
Accum Equity	200.5	211.5	-	43005
Accum Managed	208.0	219.5	-	43006
Accum Five Star	151.0	159.5	-	43011
Accum World	111.0	117.0	-	43013
Accum Lifetime	102.8	102.8	-	47139
Pens Acc Equity	211.5	223.5	-	43025
Pens Acc Managed	250.5	264.5	-	43026
Pens Acc Intl	181.0	191.0	-	43027
Pens Acc Deposit	191.0	202.0	-	43029
Pens Acc Five Star	160.0	169.0	-	43031
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	202.4	213.6	-	43411
UK Fixed Int Acc	166.8	176.0	-	43412
Intl Equities Acc	153.4	161.9	-	43413
UK Managed Acc	158.9	167.6	-	43414
Property Acc	226.4	238.9	-	43415
Money Acc	125.6	132.5	-	43416
Special Market Acc	123.9	130.8	-	43417
Japan Equity Acc	90.7	95.7	-	46760
North American Acc	89.1	94.0	-	43419
Pacific Acc	77.4	81.7	-	43420
Technology Acc	95.3	100.6	-	43421
Nat Resources Acc	47.0	49.6	-	[illegible]
European Acc	91.6	96.7	-	[illegible]
Residential Prop Acc	95.8	101.1	-	[illegible]
Swiss Equities Acc	32.6	34.4	-	[illegible]
Hong Kong Acc	50.0	52.8	-	43427
UK High Inc Eq Acc	65.5	69.1	-	[illegible]
Int Fixed Interest Acc	54.4	57.4	-	46406
Int Managed Acc	51.3	54.1	-	46407
HIP Managed Acc	103.0	108.6	-	46751
HIP Managed II Acc	89.7	94.6	-	[illegible]
Total Investment Bond				
UK Equity Initial		138.4	-	[illegible]
UK Fixed Int Initial		114.2	-	[illegible]
Intl Equities Initial		104.2	-	[illegible]
UK Managed Initial		108.8	-	[illegible]
Property Initial		156.1	-	[illegible]
Money Initial		86.4	-	[illegible]
Special Market Initial		96.7	-	[illegible]

[illegible]

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

Continued on next page

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

	Bid Price	Offer Price	Yield Gross	City-line
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,598	2,625	–	45559
New Generation Fd $	$22.18	22.40	–	45560
Japan Index Alpha	Y7,744	7,861	–	46350
Jap Sector Rotation	Y6,613	6,709	–	47334
Jap Cap Gwth CB	Y[illegible]	Y[illegible]	–	–
Sandi International (Guernsey) Ltd				
Intl Bond	$10.93	10.51	–	46774
Intl Dollar	$10.30	10.31	–	46775
Intl Equity	$10.54	10.90	–	46776
Falcon High Income	$89.37	89.37	–	44741
Schroder Investment Mngmt (Guernsey) Ltd				
Latin American	$12.3823	13.0977	–	–
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$11.61	11.67	–	46492
U.S. Treasury Securities Fund Ltd				
Short Term Shares		$749.8	–	45903
Fixed Income Shares		$874.8	–	45904
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth		$10.88	–	46000
Yamaichi ISS Fund		$7.75	–	46591
Yamaichi CB Plus Fund		$8.68	–	47335
Thai Inv Fund		$10.43	–	46493

IRELAND (SIB RECOGNISED)

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
GAM Fund Management Ltd (u)						
26 Kildare Street, Dublin 010 353 1760 630						
GAM Universal US Dlr Acc		$–	111.56			40037
GAM Universal US Dlr Inc		$–	111.56			40040
GAM Universal DM Acc		DM–	105.97			40041
GAM Universal DM Inc		DM–	105.97			40042
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$–	0.99	1.06		43441

IRELAND (REGULATED)(**)

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F					
PO Box 63, Bond Street, St. Helier, Jersey 0534 76[illegible]					
Stlg Fixed Int	5½	£1.111	1.111xd	1.180	10.0[illegible]
Offshore High Yield	3½	£1.442	1.442	1.499	14.51
Global Equity Fund	5½	$13.99	14.09	15.07	1.15
European Equity	5½	[illegible]	16.04	17.15	1.31
UK Growth (C) Fund	5½	£4.175	4.175	4.465	3.77
Nth American Eqty	5½	$9.381	9.381	10.008	0.61
Far Eastern Eqty	5½	$9.020	9.152	9.788	0.00
Intnl. Bond Fund					
Sterling Managed	5½	£10.12	10.12xd	10.79	8.89
US Dollar Managed	5½	$13.56	13.56xd	14.41	5.92
International Currency Fund					
Sterling Managed	5½	£24.99	24.99	26.44	–
US Dollar Managed	5½	$29.14	29.14	30.84	–
Sterling	0	£24.12	24.12	24.12	13.49
US Dollar	0	$37.41	37.41	37.41	5.82
Deutschmark	0	DM58.72	58.72	58.72	7.69
Japanese Yen	0	Y4,767	4,767	4,767	6.37
Swiss Franc	0	SFr45.84	45.84	45.84	7.10
Irish Punts	0	I£21.72	21.72	21.72	6.71
INVESCO MIM International Limited					
PO Box 271, St Helier, Jersey 0534 7[illegible]					
Jersey Gilt (u)	5½	[illegible]	0.1689xd	0.1781	9.26
Lloyds Bank (CI) U/T Mgrs.					
PO Box 195, St Helier, Jersey 0534 2[illegible]					
Lloyds Tst. Gilt	2½	£9.444	9.459xd	9.706	11.54
Dealing daily					
Midland Bank Fund Managers (Jersey) Ltd					
PO Box 26, St Helier, Jersey 0534 3[illegible]					
Intl Credit Portfolio	6	89.51	89.51	94.94	0.00
Gilt	3	92.61	92.61xd	95.48	10.47
For MIM see INVESCO MIM					
Royal Trust Jsy Fd Mngt Ltd (1400)F					
PO Box 428, St Helier, Jersey 0534 7[illegible]					
Govt Secs Fd	4	56.45	56.45	58.93	11.03
TSB Trust Funds (CI)					
PO Box 538, St Helier, Jersey 0534 7[illegible]					
TSB Offshore Investment Fund Ltd					
Stg Deposit Class	3	102.66	102.66xd	105.74	13.30
Gilt & Fixed Interest	5	103.75	103.75xd	106.91	11.6[illegible]
Blue Chip & Gilt Edged	5	46.58	46.58	49.42	5.87
International Bond	5	104.38	104.38	109.64	7.92
UK Equity	5	84.86	84.86	91.58	1.62
International Equity	5	90.69	90.69	97.02	0.43

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

Continued on Page 31

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Weather to gamble

AS THE weather became steadily worse in Britain last week the opportunities for gambling were severely restricted by the abandonment of horse race meetings, but for those with the urge to gamble relief could be found on the Liffe market.

The price of short sterling futures rose sharply as traders took the view that Mr Norman Lamont, Chancellor of the Exchequer, will decide to cut interest rates before delivery of the March contract.

UK clearing bank base lending rate 14 per cent from October 8, 1990

It is the timing of delivery of short sterling on March 20 which has such appeal, because it is one day after the budget.

If Mr Lamont announces a cut of 1 per cent in interest rates, as part of his budget proposals the present price above 87.00 for March short sterling can be justified, but if he does not the price should be nearer to 86.00, to equate with the present 14 per cent level of bank base rates.

The market's mood can be judged from the fact that the March contract rose on Friday morning, encouraged by speculation that the bad weather would made the Bank of England declare a half-day bank holiday. It was argued that if this happened the authorities would not reinforce the message about firm interest rates, because there would be no opportunity for afternoon lending to the discount houses at penal rates.

In the event there was no half-day holiday and no publicised penal lending, leaving those with long positions to wait and wonder.

The wisdom of pushing short sterling to the present levels depends on whether the government's anti-inflation policy is to be taken seriously. If it is, and if Mr Lamont wishes to deter similar speculation in the future, the level of base rates is likely to be unchanged after the budget.

£ IN NEW YORK

Feb 8	Close	Previous Close
£ Spot	1.9885-1.9895	1.9900-1.9910
1 month	1.11-1.09pm	1.13-1.11pm
3 months	3.15-3.12pm	3.26-3.23pm
12 months	9.60-9.50pm	9.78-9.68pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Feb 8	Bank of England Index	Morgan Guaranty Changes %
Sterling	94.2	−18.1
U.S Dollar	N/A	−19.9
Canadian Dollar	N/A	−0.5
Austrian Schilling	N/A	+12.7
Belgian Franc	N/A	−1.0
Danish Krone	N/A	+5.6

STERLING INDEX

CURRENCY RATES

OTHER CURRENCIES

CHICAGO

POUND SPOT - FORWARD AGAINST THE POUND

Feb 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9825 - 1.9905	1.9870 - 1.9880	1.12-1.10cpm	6.70	3.19-3.16pm	6.39
Canada	2.2990 - 2.3045	2.3000 - 2.3010	0.51-0.42cpm	2.43	1.63-1.51pm	2.73
Netherlands	3.2615 - 3.2705	3.2620 - 3.2630	1¼-1⅛cpm	4.37	3¼-3pm	3.83
Belgium	59.45 - 59.80	59.45 - 59.55	19-16cpm	3.53	53-47pm	3.36
Denmark	11.1279 - 11.1615	11.1400 - 11.1500	3¼-2⅞orepm	3.3	8⅞-7⅝pm	2.87
Ireland	1.0895 - 1.0925	1.0910 - 1.0920	0.32-0.22cpm	2.97	0.76-0.60pm	2.49
Germany	2.8925 - 2.9030	2.8925 - 2.8975	1⅛-1pfpm	4.40	3-2⅞pm	3.97
Portugal	254.80 - 257.55	256.55 - 257.55	13-35cdis	−1.12	93-145dis	−1.85
Spain	181.50 - 182.60	181.50 - 181.80	3-11cdis	−0.46	44-55dis	−1.09
Italy	2175.05 - 2181.75	2179.25 - 2180.25	3-1lirepm	1.10	5-3pm	0.73
Norway	11.3205 - 11.3675	11.3575 - 11.3675	3-2½orepm	2.90	6¾-6⅛pm	2.27
France	9.8515 - 9.8655	9.8525 - 9.8625	3¼-3cpm	3.80	7⅞-7½pm	3.02
Sweden	10.8660 - 10.8930	10.8675 - 10.8775	1¼-⅛orepm	1.03	1½-½pm	0.37
Japan	253.70 - 254.95	253.50 - 254.50	1⅛-1ypm	5.31	3⅞-3⅛pm	5.12
Austria	20.33 - 20.41	20.36 - 20.41	7½-6⅞gropm	4.12	20¼-18pm	3.75
Switzerland	2.4715 - 2.4770	2.4720 - 2.4730	1⅛-1cpm	5.46	3⅛-3pm	5.06
Ecu	1.4090 - 1.4110	1.4090 - 1.4100	0.38-0.36cpm	3.15	1.17-1.14pm	3.28

Commercial rates takes towards the end of London trading. Six-month forward dollar 5.71-5.66cpm . 12 Month 9.60-9.50pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9825 - 1.9905	1.9870 - 1.9880	1.12-1.10cpm	6.70	3.19-3.16pm	6.39
Ireland†	1.8185 - 1.8280	1.8270 - 1.8280	0.67-0.62cpm	4.24	1.95-1.85pm	4.16
Canada	1.1575 - 1.1595	1.1580 - 1.1590	0.40-0.43cdis	−4.30	1.06-1.10dis	−3.73
Netherlands	1.6395 - 1.6475	1.6405 - 1.6415	0.45-0.55cdis	−3.66	1.02-1.08dis	−2.56
Belgium	29.95 - 30.10	29.90 - 30.00	7.50-8.50cdis	−3.21	22.00-26.00dis	−3.21
Denmark	5.6015 - 5.6265	5.6050 - 5.6100	1.45-1.85oredis	−3.53	4.70-5.40dis	−3.60
Germany	1.4545 - 1.4625	1.4560 - 1.4570	0.28-0.30pfdis	−2.39	0.88-0.91dis	−2.46
Portugal	128.50 - 128.98	128.50 - 128.60	75-85cdis	−7.47	255-280dis	−8.32
Spain	91.40 - 91.85	91.40 - 91.50	55-58cdis	−7.41	174-182dis	−7.79
Italy	1093.50 - 1099.50	1096.50 - 1097.00	4.90-5.40liredis	−5.63	15.20-16.30dis	−5.74
Norway	5.6950 - 5.7225	5.7150 - 5.7200	1.65-2.10oredis	−3.94	5.95-6.55dis	−4.37
France	4.9500 - 4.9780	4.9575 - 4.9625	1.23-1.28cdis	−3.04	4.05-4.15dis	−3.31
Sweden	5.4660 - 5.4855	5.4675 - 5.4725	2.45-2.90oredis	−5.87	7.90-8.85dis	−6.12
Japan	127.60 - 128.40	127.75 - 127.85	0.13-0.16ydis	−1.36	0.42-0.46dis	−1.38
Austria	10.2370 - 10.2850	10.2675 - 10.2725	2.10-2.50grodis	−2.69	6.60-7.70dis	−2.78
Switzerland	1.2400 - 1.2480	1.2435 - 1.2445	0.14-0.17cdis	−1.50	0.41-0.46dis	−1.40
Ecu	1.4040 - 1.4115	1.4100 - 1.4110	0.39-0.37cpm	3.23	1.18-1.12pm	3.26

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Feb.9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.988	2.895	254.0	9.858	2.473	3.263	2180.	2.305	59.50
$	0.503	1	1.456	127.8	4.959	1.244	1.641	1097	1.159	29.93
DM	0.345	0.687	1	87.74	3.405	0.854	1.127	753.0	0.796	20.55
YEN	3.937	7.827	11.40	1000.	38.81	9.736	12.85	8583	9.075	234.3

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

Treasury Bills (sell): one-month 13¾ per cent; three months ... per cent; Bank Bills (sell): one-month 13¾ per cent; ... Make up Average tender rate of discount 12.5247 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31 ,1991 . Agreed rates for period Feb 26,1991 to Mar 25 , 1991, Scheme I: 15.10 p.c., Schemes II & III: 15.26 p.c. Reference rate for period Jan 1,1991 to Jan.31 , 1991, Scheme IV&V: 14.012 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from February 1 , 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8,1989 , Deposits withdrawn for cash 5 per cent.

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.825	15.95	16.00	16.00	16.00	-	-	0.11	1.04
1.850	13.45	13.50	13.50	13.50	-	0.04	0.29	0.75
1.875	10.95	11.00	11.10	11.00	-	0.25	0.60	2.09
1.900	8.45	8.50	8.60	8.84	-	0.37	1.07	2.90
1.925	5.95	6.02	6.32	6.90	-	0.75	1.76	3.90
1.950	3.52	3.93	4.46	5.30	0.18	1.45	2.60	5.10
1.975	1.56	2.37	3.01	4.02	0.71	2.42	3.85	6.51

Previous day's open int: Calls N/A Puts N/A (All currencies)
Previous day's volume. Calls N/A Puts N/A (All currencies)

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	Fri Feb 8 US Dollar Index	% chg ($) since 31/12/90	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/90	Gross Div. Yield	Thu Feb 7 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index 1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	125.74	+6.5	93.79	101.58	95.21	107.23	+5.3	6.76	126.37	93.81	102.20	95.33	107.45	158.31	112.74	142.47
Austria (19)	192.97	−1.9	143.95	155.89	146.12	146.34	−4.3	1.87	193.80	143.88	156.75	146.20	146.32	285.63	167.00	248.58
Belgium (60)	143.65	+8.6	107.15	118.03	108.77	106.10	+5.1	5.55	143.46	106.51	116.02	108.22	105.61	160.02	121.73	148.37
Canada (116)	135.95	+4.6	101.41	109.82	102.94	114.05	+4.4	3.51	135.35	100.48	109.46	102.09	113.64	153.61	121.24	141.99
Denmark (32)	258.31	+11.0	192.68	208.67	195.60	197.00	+7.8	1.52	257.04	190.83	207.90	193.91	195.78	277.82	217.74	256.27
Finland (21)	103.46	+0.3	77.18	83.59	78.35	77.05	−1.8	3.96	103.17	76.60	83.45	77.83	76.62	152.29	90.61	150.51
France (113)	143.15	+8.6	106.78	115.63	108.38	111.37	+5.9	3.71	141.52	105.07	114.45	106.75	109.72	168.85	121.85	150.92
Germany (88)	118.31	+5.7	88.25	95.59	89.59	89.59	+3.0	2.54	118.25	87.79	95.65	89.20	89.20	144.63	101.38	132.79
Hong Kong (48)	135.63	+11.3	101.17	109.57	102.71	135.73	+11.3	4.94	134.78	100.06	109.01	101.68	134.95	147.49	112.24	119.31
Ireland (16)	157.82	+6.3	117.73	127.49	119.51	121.68	+3.4	3.76	156.74	116.37	126.77	118.24	120.39	198.57	132.88	195.94
Italy (91)	81.09	+3.5	60.49	65.50	61.40	66.42	+0.7	3.80	81.17	60.26	65.64	61.23	66.07	109.26	72.05	96.24
Japan (453)	139.09	+11.5	103.76	112.37	105.34	112.37	+5.0	0.76	137.67	102.21	111.35	103.87	111.35	197.26	108.58	183.23
Malaysia (34)	218.14	+2.8	162.72	176.22	165.18	226.04	+2.4	3.33	218.46	162.18	176.68	164.79	226.37	250.89	182.96	240.77
Mexico (12)	601.55	+2.9	448.72	485.96	455.51	1944.03	+3.0	0.35	595.89	442.39	481.95	449.52	1925.76	613.96	324.53	366.97
Netherland (41)	140.41	+4.9	104.74	113.43	106.33	105.17	+2.0	5.11	140.02	103.95	113.25	105.63	104.49	149.03	125.70	138.36
New Zealand (15)	50.20	+15.7	37.45	40.56	38.02	44.39	+13.2	7.65	50.48	37.48	40.83	38.09	44.46	75.36	41.18	68.64
Norway (30)	203.35	−0.4	151.69	164.28	153.99	157.81	−3.2	1.93	205.38	152.47	166.11	154.93	158.68	276.79	182.24	237.88
Singapore (25)	176.86	+11.0	131.93	142.88	133.92	139.58	+9.4	2.98	179.40	133.19	145.10	135.33	141.45	209.24	147.24	195.29
South Africa (60)	193.28	+5.7	144.18	156.13	146.35	132.85	−2.5	4.09	193.60	143.73	156.58	146.05	130.41	251.39	151.50	240.90
Spain (41)	158.19	+12.7	118.00	127.80	119.78	109.59	+7.9	5.18	158.23	117.47	127.98	119.37	109.15	182.25	128.54	156.69
Sweden (27)	181.80	+14.0	135.62	146.87	137.67	147.22	+10.9	2.78	183.15	135.97	148.14	138.17	148.24	234.93	146.60	196.73
Switzerland (65)	96.53	+8.5	72.01	77.99	73.10	74.45	+5.9	2.82	96.22	71.43	77.82	72.59	73.82	109.77	82.17	96.69
United Kingdom (296)	177.93	+7.4	132.73	143.73	134.72	132.73	+4.3	5.27	178.54	132.55	144.39	134.67	132.55	178.54	139.87	159.68
USA (526)	145.48	+9.1	108.52	117.53	110.16	145.48	+9.1	3.40	144.37	107.18	116.77	108.91	144.37	148.95	119.06	135.02
Europe (940)	144.26	+7.2	107.61	116.54	109.25	108.78	+4.2	4.29	144.22	107.07	116.65	108.80	108.28	157.85	124.91	143.74
Nordic (110)	184.83	+10.2	137.87	149.31	139.96	139.50	+7.1	2.18	185.22	137.51	149.81	139.73	139.60	223.29	155.55	198.51
Pacific Basin (650)	138.12	+11.3	103.03	111.59	104.59	112.61	+5.2	1.12	136.83	101.58	110.67	103.22	111.66	192.75	107.82	179.32
Euro-Pacific (1590)	140.98	+9.5	105.17	113.89	106.75	111.79	+4.8	2.45	140.20	104.09	113.39	105.76	111.04	174.18	116.03	165.31
North America (642)	144.80	+8.9	108.01	116.99	109.67	143.38	+8.9	3.40	143.72	106.70	116.26	108.44	142.32	148.43	119.26	135.34
Europe Ex. UK (644)	123.73	+7.1	92.29	99.97	93.71	94.78	+4.2	3.55	123.35	91.57	99.78	93.07	94.11	145.62	106.85	132.63
Pacific Ex. Japan (197)	125.96	+8.7	93.96	101.77	95.39	111.75	+7.9	5.69	126.18	93.67	102.07	95.19	111.78	146.72	111.40	132.33
World Ex. US (1778)	141.60	+9.3	105.63	114.40	107.23	112.54	+4.7	2.50	140.83	104.55	113.91	106.24	111.77	173.77	117.12	165.34
World Ex. UK (2008)	138.29	+9.5	103.16	111.72	104.73	121.74	+6.5	2.50	137.26	101.90	111.02	103.56	120.78	162.00	115.37	152.91
World Ex. So. Af. (2244)	141.49	+9.3	105.55	114.31	107.15	122.74	+6.3	2.80	140.61	104.39	113.73	106.08	121.88	161.84	118.04	152.96
World Ex. Japan (1851)	144.62	+8.2	107.88	116.84	109.53	128.33	+6.8	3.84	144.01	106.92	116.49	108.66	127.55	151.59	124.31	139.69
The World Index (2304)	141.81	+9.2	105.78	114.56	107.39	122.81	+6.2	2.81	140.93	104.63	113.98	106.32	121.94	162.05	118.33	153.49

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

The following constituent changes took place during the week ending 8/2/91: Name changes: Epeda-Bertrand to EBF (France) and Dao Heng Hldgs. to Guoco Group (Hong Kong).

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr. frequency interest credited

FINANCIAL TIMES STOCK INDICES

	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 1	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.15	85.01	84.70	84.61	84.55	84.51	85.15	74.13	127.4	49.18
Fixed Interest	93.60	93.53	93.47	93.46	93.47	93.02	93.60	83.80	105.4	50.53
Ordinary	1760.2	1756.2	1718.8	1724.8	1700.6	1694.0	1968.3	1510.4	2008.6	49.4
Gold Mines	138.1	131.7	129.2	134.2	134.9	136.6	378.5	129.2	734.7	43.5
FT-Act All Share	1072.83	1071.46	1050.17	1052.70	1039.76	1035.41	1226.83	962.09	1238.57	61.92
FT-SE 100	2245.2	2243.7	2194.8	2202.0	2172.2	2165.7	2463.7	1990.2	2463.7	986.9
FT-SE Eurotrack 100	985.20	971.96	965.63	967.25	962.56	956.49	1003.35	900.45	1003.35	900.45

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

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LONDON STOCK EXCHANGE

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,427.9	ABN Amro Fl5	£9½	....	8.8	4 9	Aug May	1567
1,322.4	ANZ SA1	126	-2.3	12.3	28.12	Jan Jul	1698
3,419.1	Abbey National 10p	261	5.7	2.9	6.8	Apr Oct	5411
962.2	Allied Irish Ord.	148	12.1	6.1	19.11	Dec July	1354
31.8	Anglo Irish	53	....	7.9	10.12	Jan July	1355
108.3	Ansbacher (H.) 1p	58	-3.3	5.7	12.3	April	1624
871.0	Bancaire Cie Fr100	£50¾	2.6	2.6	9.5	May Mar	2202
3,214.4	Banco Bilbao Viz.	£13¼	....	6.2	9.12	Dec June	–
2,580.3	Banco de Santander	£24⅛	-4.5	5.0	31.10	Apr Oct	–
539.3	Bank Ireland Ir£1	161	7.3	8.2	19.11	July Dec	1360
134.4	Bank Leumi	£19½	....	–	–	–	1740
25.0	Bank Leumi (U.K.)£1	358	....	5.7	6.8	Mar Sep	1740
988.0	Bank Scotland	138	4.8	4.7	8.10	Dec Jul	1742
102.3	Do. 9¼pc Irrd Pf £1	102¼	1.5	12.1	22.10	May Nov	1462
105.3	Do. 9¾pc Pf £1	105¼	1.0	12.4	–	–	–
13.4	Bank of Wales	42	....	8.9	8.10	Nov Jun	1743
6,236.9	Barclays £1	393	8.0	6.6	20.8	Oct May	1754
4.83	Benchmark 20p	9	-10.0	11.1	9.4	May Oct	1802
33.2	Brown Shipley £1	208	3.0	†	10.12	Jan Aug	1983
98.1	Cater Allen £1	414	5.1	7.9	19.11	Jan Aug	2081
8.76	Chancery	42	....	†	25.6	Jan July	2102
426.4	Commerzbk DM10	£16¼	0.2	3.7	27.5	May	1046
24,326.7	Dai Ichi KBk Y50	868	4.5	0.4	4.7	June	3221
6,788.5	Deutsche Bk DM50	£212½	0.9	2.2	17.5	May	2345
175.1	Espirito Santo	£16⅜	0.8	2.3	–	June	5187
257.1	First Nat. Fin. 10p	159	-2.5	10.9	14.1	Feb Aug	2571
39.2	FNFC 6.3pc Cv Pf £1	81	-4.7	10.4	31.12	July	2570
19,629.7	Fuji Bank Y50	1025	2.2	0.3	4.7	Dec June	1084
118.3	Gerrard & National	304	-1.9	8.3	22.10	June Dec.	2686
45.4	Guinness Mahon 10p	78	....	2.8	10.12	July Feb	5074
419.7	Hambros 20p	247	5.1	6.2	10.12	Jan Sep	2812
157.5	Do. 7.5pc Cv Pf £1	105	5.0	9.5	10.9	Apr Oct	4388
2,216.2	HK & Shang HK$2.50	34½	9.5	8.0	14.9	Oct Mar	–
19.8	Joseph (Leo) £1	378	....	5.6	10.12	Jan Sept	3060
19.3	King & Shaxson 20p	122	....	11.3	19.11	Dec June	3088
388.7	Kleinwort Benson Grp.	315	12.1	6.8	20.8	May Oct	3102
5,624.2	Kyowa Bank Y50	412	4.0	0.7	29.6	Mar Jun Sept	3049
4,070.5	Lloyds £1	328	9.3	5.4	6.8	Oct May	3171
28.3	Lon. Scot. Bank 10p	47½xd	-1.0	7.7	28.1	Mar Aug	4651
1,489.6	Midland £1	190	13.8	12.6	6.8	May Oct	3380
29,176.6	Mitsubishi Bank Y50	£10½	....	0.3	4.7	June Dec.	5290
9,496.0	Mitsubishi Tst & Bk Y50	£6⅞	3.3	0.6	–	June Dec	4775
21,128.4	Mitsui Taiyo Kobe Y50	£7⅜	1.7	0.4	–	Sept Mar	–
6,802.7	Mitsui Tst & Bk Y50	568	3.5	0.6	7.12	Sept Mar June	5388
2,616.0	Nat Aust. Bk. A$1	231	2.2	9.7	20.12	July Jan	3456
4,941.9	NatWest £1	386	9.3	7.3	8.10	Oct May	3463
50.0	Ottoman Bank	£100	....	11.0	16.5	May	–
9.81	Rea Bros Group	25	....	2.7	10.9	May Oct	3785
1,324.8	Royal Bk. Scotland	175	3.6	6.4	10.12	Feb July	3874
4,136.9	Saitama Bank Y50	407	3.8	0.7	10.12	Sp De Mr Jn	5286
33,031.9	Sanwa Bank Y50	825	0.9	0.4	11.12	June Dec.	5108
333.0	Schroders £1	663	2.8	2.5	8.10	Nov May	3939
57.6	Do. £1 N/V	445	4.7	3.7	8.10	May Nov	3941
1,259.9	Sec. Pacific $10	£11⅛	13.7	10.7	24.1	Fb My Ag Nv	3985
625.8	Standard Chartd. £1	268	19.6	17.4	20.8	May Oct	4094
26,775.9	Sumitomo Bank Y50	£8⅛	6.3	0.4	29.6	June	3079
8,135.7	Sumitomo Tst & Bk Y50	£6⅝	5.5	0.5	29.6	June Dec	4918
2,194.4	TSB	146	2.8	6.0	6.8	Oct Apr	4320
18.2	TSB Bank Ch'nel Is £1	124	10.7	6.5	31.12	Mar Aug	4319
11,470.5	Tokai Bank Y50	£5⅞	6.7	0.5	10.12	June	5359
5,775.8	Toyo Tst & Bk Y50	710	2.3	0.4	29.6	Sept Mar Jun	1593
105.9	Union Discount £1	565	-2.6	8.6	23.7	Mar Sept	4353
695.6	Warburg (S.G.)	354	6.3	5.6	19.11	July Dec	4425
50.6	Do. 6pc Cnv Prf £1	119	4.4	6.7	10.9	Mar Sept	4426
1,864.5	Westpac $A1	155	2.0	13.8	27.12	Jan July	4473
24.6	Wintrust 20p	290	....	4.0	6.8	Sept Mar	4524
6,561.8	Yasuda Tst & Bk. Y50	629	4.8	0.5	7.12	Sept Mar Jun	5347

Hire Purchase, Leasing, etc.

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
20.0	CLF Yeoman 50p	58	....	†	10.9	July	1162
24.5	Cambridge Grp Ir5p	42	5.0	0.8	14.5	Dec June	5358
10.3	Capital Leasing Ir10p	36½	-5.2	3.2	27.12	Jul Jan	1641
60.9	Cattle's (Hldgs) 10p	58	1.8	8.7	10.9	May Oct	2082
210.4	Prov. Financial	413	3.0	6.6	10.9	Nov Apr	3731
16.8	Reflex Invs. Ir5p	119	-3.3	2.0	25.6	July Dec	4940
27.9	Secure Trust Grp. 1p	197	1.0	5.8	8.10	Jun Nov	1472
324.0	Woodchester IR20p	160	3.2	1.9	24.9	May Oct	1487

BEERS, WINES & SPIRITS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
3,977.6	Allied-Lyons	508	3.9	4.4	10.12	Jul Feb	1550
6,897.8	Anheuser-Busch $1	£23xd	2.5	2.2	5.2	Mr Jn Se De	1620
3,394.9	Bass	959	0.7	4.5	10.12	Feb July	1772
141.5	Boddington	143	14.4	4.8	8.10	May Nov	1862
95.5	Bulmer(H.P.) 5p	183	2.2	5.6	31.12	Sept Feb	2005
22.5	Burtonwood Brewery	108	-0.9	4.9	5.11	Feb Aug	2022
32.0	Clark (Matthew)	360	0.3	5.1	20.8	Apr. Oct.	2153
75.6	Devenish (J.A.) 5p	150	5.6	4.7	31.12	Feb July	2346
7.92	Do 4.5pc Cv 2ndPf £1	185	1.9	5.7	24.9	Mar Sept	2347
20.4	Eldridge, Pope "A" 50p	105	11.7	5.2	31.12	Feb. Jly.	2435
1,738.0	Fosters Brewing A$1	68	3.4	5.8	12.4	May Dec	2434
72.6	Fuller, S.T.A. "A" £1	363	....	2.0	31.12	Aug Jan	2643
4,854.7	Grand Metrop. 50p	691	4.4	3.9	14.1	Oct Apr	2759

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

Continued on Page 31

LONDON STOCK EXCHANGE

MOTORS, AIRCRAFT TRADES

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
13.3	ABI Leisure 10p.....β	58	-3.8	8.3	31.12	July Jan	4405
163.7	DAF N.V. F15........	£5¼	3.4	13.0	8.5	June	4773
-	General Mtrs Units..	88	-3.3	7.2	13.8	Mr Jun Sp D	2678
4.36	March Group 5p..β	13	8.3	-	8'88	-	3284
2,996	Volkswagen DM50..	£113½	-0.8	3.3	-	July	-
1,062.8	Volvo AB 'B' Kr25..	£20⅛	-6.1	6.9	26.4	May	4410

Commercial Vehicles

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
11.3	ERF (Hldgs)........β	115	-2.5	‡	31.12	Jan Aug	2397
18.9	Plaxton Grp.........β	58	2.0	22.7	10.9	Dec May	3675

Components

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
9.26	Abbey Panels........	463	2.2	1.0	14.1	Sept Feb	1501
10.7	Airflow Streamlines.β	125	....	6.4	5.11	Jan July	1538
18.9	Bostrom 5p.........β	145	....	5.3	8.10	May Nov	1438
363.2	Dowty 50p...........α	147	....	8.2	14.1	Mar Oct	2371
96.2	FR Group.............α	130	....	6.5	5.11	Dec. July	2627
145.3	Kwik-Fit Hldgs. 10p α	90	7.1	3.6	8.10	Nov June	3113
992.4	Lucas Inds............α	143	5.5	6.5	5.11	Jun Jan	3232
16.1	Do. Warrants.......α	23½	-4.1	-	-	-	3065
24.3	Mid-States 10p..β	58	....	2.0	24.9	November	1845

Garages and Distributors

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
6.29	Alexanders 10p.....β	16	6.7	8.3	14.1	March	1562
29.0	Appleyard 10p.......β	62	....	16.8	10.9	Oct Apr	1629
2.08	Bletchley Motor 20p..β	70	....	14.3	24.9	Oct Jan	1427
12.8	Caffyns 50p..........β	385	....	4.0	10.12	Jan July	2091
11.9	Central Motor Auctns.β	89	1.1	5.4	20.8	Oct Apr	4930
4.21	Cook (D.C.) Hldgs 5p..α	17	6.3	7.8	10.9	Feb Oct	2231
53.1	Cowie (T.) 5p.......α	42	2.4	13.3	6.8	Sep Apr	2260
13.4	Dagenham Motors 10p.β	76	....	9.2	8.10	Nov May	4954
9.26	Davenport Vernon 10p.β	70	-1.4	7.9	25.6	Mar Jul	3912
33.9	Evans Halshaw.....β	165	1.2	9.1	10.9	Oct May	2506
22.0	Gates (F.G.)..........β	79	....	5.2	29.5	July	2661
3.17	Gowrings 10p.......β	35	12.9	21.4	24.9	-	4847
4.76	Jacks Wm............β	44	....	‡	30.4	July Nov	3014
3.64	Jessups................β	43	....	21.7	19.11	Jan. July	3037
121.3	Lex Service..........α	138	6.6	15.7	6.8	Sep Apr	3160
13.0	Lookers...................β	68	-1.4	13.0	6.8	Sept. Apr	3218
1.16	Malaya Group 10p.β	23	....	11.6	30.4	Oct May	3437
19.2	Pendragon............α	96	2.1	2.5	10.9	October	1614
19.4	Perry Group.........β	104	3.0	11.5	8.10	Dec Jul	3640
7.43	Quicks Group 10p..β	46	2.2	17.4	10.9	Nov Jul	3748
4.24	Sanderson Murray Elder 5p..β	203	0.5	-	18.9	-	3915
20.7	Trimoco 10p.........α	14	....	13.3	10.12	Jan July	4307
8.59	Do.11½pc Ln '96..β	£122½	6.5	9.4	27.2	Sept Mar	4997
20.9	Vardy (Reg) 10p....β	66	....	4.9	20.8	Oct May	5348

NEWSPAPERS, PUBLISHERS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
3.71	Adscene 5p..........β	25	....	‡	24.9	Apr Oct	1522
41.4	BPP Hldgs 10p.....β	205	....	3.4	24.9	Nov May	1889
24.1	Barbour Index.......β	145	3.6	5.5	28.1	Oct Apr	1750
7.70	Black (A. & C.)......β	505	-1.0	3.4	24.9	July Oct	1841
143.0	Blenheim Group 5p..α	575	-0.9	4.6	10.12	Jul Jan	1851
35.1	Bristol Eve. Post..β	215	2.4	7.1	31.12	Feb Aug	1954
374.8	Daily Mail 'A' 50p...β	£37⅜	1.3	3.9	14.1	Feb Jul	2298
259.3	EMAP ....α	191	2.7	4.5	10.12	Jan July	2457
69.0	Euromoney Pubs. 1p..β	343	-1.4	7.2	10.12	May Jan	3283
4.90	EW Fact 5p.........β	93	....	5.0	8.10	Nov May	1408

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST—Contd

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

-	Thorco Res. Inc.‡..	6½	-35.0	-	-	-	-
4.28	Vizcaya Hldgs 5p..β	3	....	-	-	-	4193
12.1	Young Group 10p...β	138	....	8.0	10.9	Apr Oct	5080

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ♣ Not comparable
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	675	......	
Finlay Pkg. 5p.... β	33	-8.3	
Holt (Jos) 25p.....β	1300	......	

IRISH

Cap. 8½% Ln. 1991	£99⅛	......
9pc Cap Ln. 1996..	£95¾	0.7
Fin. 13% 97/02...	£112½	0.7
Arnotts..............	153	......
Carrol (P.J.).........	154	......
Helton Hldgs.......γ	38	-11.6
IWG...................	135	......
United Drug..........	128	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp.	28
BTR	25
Barclays	38
Blue Circle	19
Boots	29
Bowaters	43
Brit. Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons.	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen.	32
Lex Service	17
Lloyds Bank	24
Lucas Inds.	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	41
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property	
Brit Land	24
Control Secs.	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils	
Aviva Petlm	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res.	1½
Premier	7
Shell	37
Tuskar Res.	2
Ultramar	29

Mines	
Lonrho	19
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

2pm prices February 8

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
31¼	9⅛	AAR	.48	3.7	11	722	13¼	12⅞	13⅛	+ ⅛
9⅛	7¾	ACM n1.03e		11.		76	9	9	9	
11¼	8¼	ACMIn 1.26		11		838	11⅛	10⅞	11	
8⅝	6½	ACM M n1.01		13.		241	8	7⅞	7⅞	- ⅛
12½	10	ACMMM 1.50		12.		61	12⅜	12¼	12¼	
11¼	8⅝	ACM Sc1.26		12.		723	10⅝	10½	10⅝	
9⅛	7¼	ACMSp 1.01		12.		436	8⅞	8⅝	8⅞	
25⅞	17	AL Lab	.16	.7	20	34	24¼	24	24⅛	- ¼
4	1	AM Intl				181	1½	1⅜	1⅜	
17¾	4⅝	AM In pf	2	27		124	7½	7⅜	7½	+ ⅛
10½	8⅝	AMEVSc 1.05a		11		25	9½	9⅜	9⅜	
70¼	39⅞	AMR				4056	56¾	56	55⅞	+ ½
26¼	25	ANR pf 2.67		10.		1	26⅝	25⅝	26⅝	- ⅛
44¼	29¾	ARCOCh 2.50		6.8	12	70	37¾	37½	37⅝	- ¼
4	1¾	ARX				135	2	1⅞	1⅞	- ⅛
72¾	38¼	ASA	3	6.7		745	45¼	44⅛	44⅝	- ¼
46⅞	31¾	AbtLab s.84		1.9	20	4650	45⅞	44½	45	
14	9⅞	Abitibi g .50				13	12⅝	12⅝	12⅝	+ ⅛
10⅛	4½	AcmeC	.40	6.4	18	56	6¼	5⅞	6¼	+ ¼
9⅛	4¼	AcmeE			2	63	5⅛	4⅞	5	- ⅛
33⅞	18⅞	Acuson s			25	1540	31⅞	30¾	31	- ⅞
16⅞	14⅛	AdaEx 1.72e		11		129	16⅛	15⅞	16⅛	+ ⅛
14½	7½	Adobe				385	8⅛	7¾	8	+ ¼
19⅞	16	Adob pf 1.84		11.		18	16⅝	16½	16⅝	
21⅝	18⅞	Adob pf 2.40		12.		6	19⅞	19⅞	19⅞	+ ⅛

Continued on Page 29

حكيمي الاهل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30	22	Wstvco	1.05	3.5	10	306	u30¼	29½	30	+ ⅛
28¼	17⅞	Weyerh	1.20	4.9	13	1856	24⅝	24	24⅝	+ ⅝
51¼	30½	WhlTch			40	667	48¾	46¾	48⅝	+ 1⅞
8½	6¼	WhlPit wi				5	7⅛	7⅛	7⅛	− ⅜
3¾	2½	WhlPit wt				6	3⅜	3¼	3⅜	+ ⅛
33⅛	17½	Whrlpl	1.10	4.5	10	394	24⅞	24½	24⅝	+ ⅛
18¾	8½	Whitehl			270	32	14	13⅝	13½	− ⅝
28⅞	17	Whitmn	1.06	4.8		827	22¼	22	22¼	+ ¼
13	7½	Whitk n			19	46	12¼	12	12¼	
13⅝	5½	WlcxG	.10	1.3	8	53	7⅜	7⅛	7⅜	
35⅝	23¼	William	1.40	5.1	27	659	27⅞	27⅛	27⅝	+ ¼
55½	40¼	Wilm pf3.87		8.8		16	44½	44	44	
28¼	17⅞	WllCor n.43e		1.6		693	u27⅛	26⅞	27	+ ⅜
7	4	WlshrO .11t		2.0	90	28	5½	5⅜	5⅜	− ¼
8⅞	2⅛	Windmr				172	4	3¾	3⅞	+ ⅛
41	28¾	WinDx s1.08		2.7	20	231	39⅞	39½	39⅞	
6¾	2⅛	Winnbg				167	4⅜	4⅛	4¼	− ⅛
32½	26⅝	WiscEn	1.76	5.5	12	761	32⅛	31⅝	32⅛	+ ½
24⅝	18¾	WiscPS	1.65	7.0	12	136	23⅝	23¼	23⅝	+ ¼
37¼	21¾	Witco	1.72	4.8	12	64	36⅛	36⅛	36⅛	− ⅜
36⅝	22⅞	Wolwth s1.04		3.2	12	1642	33	32⅞	32⅞	+ ⅛
11⅜	2⅞	WrldCp				129	5¼	5	5⅛	
18¾	11½	WrldVl 1.84g		14.		38	13½	13¼	13½	+ ⅛
59¼	43¾	Wrigley	1e	1.8	18	301	55¼	54⅝	55⅛	− ½
15⅜	8¾	WyleLb	.28	2.0	11	127	14⅛	13⅞	14	
24	13¾	Wynns	.60	3.2	11	12	18¾	18½	18¾	+ ⅛
		− X−Y−Z −								
56¾	29	Xerox	3	6.0	9	4203	50⅛	48⅝	50¼	+ ⅝
48¼	42½	Xerox pf4.13		8.7		5	47¼	47⅛	47¼	+ ⅛
32⅝	13	XTRA	.72	3.5		141	20⅝	20⅜	20⅜	− ¼
3⅝	5-16	Zapata				84	15-16	⅞	15-16	
11⅝	4	ZenithE				202	6⅞	6⅝	6⅞	+ ⅛
18¼	9⅞	ZenNtl	1	6.8	10	67	14¾	14⅜	14¾	− ⅛
7⅛	4⅜	Zenix	.84	18.		250	4⅞	4⅝	4⅝	
15½	9⅞	Zero	.40	3.2	14	304	13	12½	12⅝	− ⅛
51⅛	29½	Zurnin	.88	2.2	16	194	40½	39⅞	40	− ¼
12	10⅛	Zweig	1.07e	9.0		222	11⅞	11⅛	11⅞	
10	7⅞	ZweigTl	.96	10		1191	9½	9¼	9⅜	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices February 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Prism			12	1½	1⅜	1½	
ProMed	.50	12	36	6⅛	6	6⅛	+ ⅛

NASDAQ NATIONAL MARKET

2pm prices February 8

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
ZionBc	1.44	9	37	34¼	33⅞	33⅞	

MONDAY PROFILE

Engineer of troubled consensus

Patti Waldmeir on Nelson Mandela, deputy president of the African National Congress, a year after his release from prison

If one wants a candid view of the performance of Mr Nelson Mandela since his release from prison one year ago today, one should not ask Mr F.W. de Klerk, the South African president.

Mr de Klerk's political survival depends so heavily on Mr Mandela, deputy president of the African National Congress (ANC), that he cannot admit publicly to doubting him. For if Mr Mandela fails to unite his country's peoples, divided by race for 350 years, then no-one else may get the chance.

But, when pressed by journalists last week for an answer to the question of whether South Africa would be where it is today – irreversibly on course to a post-apartheid future – were it not for Mr Mandela, the president said "no"; and that is the crux of the matter.

Mr Mandela, 72, may be criticised for sometimes lacking judgment in his public statements. He can be blamed for following where he should lead, and faulted for a certain naïveté about economics and international politics.

But the fact is that negotiations with the National Party government could not have begun unless Mr Mandela willed it; they have continued because that will has never faltered. If the talks yield a non-racial constitution within two to three years, it will be thanks to big compromises by the National Party – and to the skill of Mr Mandela in selling those compromises to blacks.

Keeping the talks on track so far have been difficult. Leading the ANC, according to one political commentator, is like riding several horses at once; keeping them going in the same direction at the same pace is almost impossible.

Disagreements over strategy, and petty squabbles, were inevitable once anti-apartheid activists got a whiff of real power. When the only issue was whether or not to oppose apartheid, there was little dissent. But now that there are choices to be made about political and economic systems, and the spoils of power, the ANC has showed itself to be fractious.

Indeed, it is difficult even to speak of "the ANC". The movement claims broad support among Africans, some mixed-race people, Indians and a few whites. But its adherents range from ultra-radical insurrectionists such as Mr Ronnie Kasrils and Mr Peter Mokaba, leader of the South African Youth Congress and a close ally of Mrs Winnie Mandela, to committed Marxists such as Mr Joe Slovo, general secretary of the South African Communist Party (SACP). There are moderate African nationalists such as Mr Walter Sisulu, elder statesman and a favoured adviser of Mr Mandela, and a large middle ground which simply wants better material living conditions and an end to racism.

The ANC leader's habit of contradicting himself in public may arise from the need to speak simultaneously to these different constituencies, including the white one, which he must woo if the new South Africa is to succeed. Government ministers comfort themselves with the notion that Mr Mandela is simply "playing to the gallery" with some of his more radical utterances.

But these inconsistencies are none the less puzzling: is he merely playing a clever game, or is there, despite his intellectual abilities, a fundamental confusion in his approach? At the height of the township violence which claimed more than 1,000 lives at the end of last year, Mr Mandela repeatedly taunted Mr de Klerk to use the full force of the law to quell the unrest; but when he did just that, sending extra troops and police to black townships, Mr Mandela condemned him. Contradictory speeches on economic issues are also frequent. Mr Mandela recently gave a speech stressing the importance of jobs, economic growth and development; yet later threatened to turn South Africa "upside down" unless the EC agreed not to lift sanctions. Resuming investment was out of the question, he said: mass action, sponsored by the ANC, would make the country so unstable "that no serious businessman would want to invest".

Such talk has done little to reassure whites. The head of one of South Africa's largest companies complained recently: "I get confused signals. One day he makes a speech I'm comfortable with and the next day he says the opposite. Will the real Mr Mandela please stand up?"

Occasionally, the real Mandela does stand up, and it is an impressive sight. He is tall and erect, a man of considerable presence. From the moment he left the gates of Victor Verster prison near Paarl last February 11, he has won over many with his charm and wit, and the smile which suffuses his face when he chooses to be amused. He speaks at a measured pace, and always in complete sentences; it is as though he spent 27 years practising to address press conferences.

But there is, not surprisingly, a steely side to the man as well. Despite his constant insistence on democracy and political tolerance, Mr Mandela sometimes displays an authoritarian streak. He is arrogant with journalists who press him on awkward questions. When a reporter recently asked a timid and delicately-phrased question about his wife, whose trial for kidnapping and assault resumes today in Johannesburg, Mr Mandela said the man should be "ashamed of himself". This and other incidents have given cause for concern over the prospects for press freedom under an ANC government; and though the ANC leader can hardly be expected to refuse to defend his wife, her ultra-radical influence on him is also worrisome.

At the ANC's consultative conference in Johannesburg in December, the imperious Mr Mandela again made an appearance. The conference was aimed at quelling dissent within ANC ranks, where commitment to negotiation is fragile, and where many youthful members complain they are not consulted about crucial issues such as last August's decision to suspend the ANC armed struggle. Mr Mandela listened to their complaints and declared himself the "servant of the people"; but he went on to tell the youthful delegates the blunt facts of political life. They had insisted "confidential" negotiations with government should cease: Mr Mandela said such views could only come from those "who do not understand the nature of negotiation".

"We are not prepared to neglect our duties as a leadership because of views which . . . are totally unreasonable," he said.

Normally, though, Mr Mandela does not impose his will in this way, though many outsiders think that negotiations would go more quickly if he did. He is a born leader, but one who uses his authority to forge consensus. According to one member of the ANC national executive, its chief policy-making body, the executive has put only one issue to the vote since 1985, when the current body was elected; every other decision was arrived at by consensus. But such a method takes a long time. With both left and right in South African politics becoming more radical by the day, time is costly.

Arguably, the ponderousness of the ANC machine contributed to the deaths of more than 1,000 people between August and December last year in clashes between its supporters and those who back the Zulu Inkatha Freedom Party, headed by Chief Mangosuthu Buthelezi. Mr Mandela made clear on his release that he wanted to meet Chief Buthelezi, who as chief minister of one of Pretoria's black homelands, KwaZulu, is vilified by ANC leaders as a sell-out. The ANC national executive refused to allow the two to meet; this snub to Chief Buthelezi may well have proved a big factor in the violence.

Eventually, Mr Mandela brought his colleagues round to his view, and late last month the two leaders concluded a peace deal. But it is a moot point whether the cycle of revenge and violence between the two groups can be broken.

In the end, though, Mr Mandela always seems to get his way. If he lives long enough he will probably succeed in delivering his constituency to the table for constitutional talks, and keeping them there. Whites and blacks in South Africa must hope that he does; for if there is to be a historic compromise between them, he must engineer it.

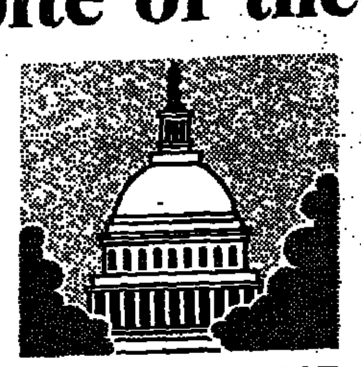
Alan Harper

'We will not neglect our duties of leadership'

PERSONAL FILE

- **1918** Born in what is now the Transkei black homeland.
- **1940** Expelled from Fort Hare college.
- **1952** Banned by government.
- **1953** Sets up the country's first African legal partnership, with Oliver Tambo.
- **1956** Tried for treason with 155 co-accused.
- **1958** Marries Winnie Madikizela.
- **1961** Helps set up Umkhonto *we Sizwe (Spear of the* Nation), the ANC military wing.
- **1964** Sentenced to life imprisonment for attempting to overthrow the state.
- **1990** Released from prison.

Absorbed with itself, in spite of the war



MICHAEL PROWSE
on America

Philosophers have long debated the rationality of solipsism – the doctrine that nothing exists beyond oneself. At the level of nations, if not individuals, the doctrine appears to be flourishing: the US frequently acts and talks as though little of consequence exists beyond its borders.

This was first brought home to me in the early 1970s when I visited the US as a student. "Are the Beatles big in Britain?" asked a teenage friend. I discovered that many Americans had only a hazy grasp of world geography and that surprisingly few travelled abroad. On that visit, I met several people who had never ventured beyond the confines of their home state – in this case New Jersey.

In 1991, things are supposedly different. Improved telecommunications, increased trade and highly-mobile capital have created a "global village". Changes have certainly occurred: in the early 1970s, Japanese cars were struggling to gain a toehold in the American market; the Honda Accord is now the best-selling car in the US. Yet judging from recent events, I suspect American attitudes have not changed all that much.

In political terms, President George Bush's success in assembling the anti-Iraq coalition has merely reinforced a deep-seated conviction that the US is the top-dog nation. Congressmen angrily demand that Japan and Germany pay more for the war as though these are small, primitive nations that should jump when America calls. The view that countries which favoured sanctions and more intense diplomatic efforts are not morally obliged to support the US war machine is simply not comprehended.

The notion that America is the world, or most of it, is illustrated even more vividly by economic events. Last week,central banks, including the Federal Reserve, were intervening heavily in exchange markets as the dollar plunged to fresh post-war lows against the German mark. Confronted with such turbulence, any European finance minister would have sought to reassure the markets. As it happened, Mr Nicholas Brady, the Treasury Secretary, was giving economic testimony on Capitol Hill. Yet he merely made matters worse by saying he would like to see still lower US interest rates.

Mr Brady's attitude would be inexplicable in Europe. But here it makes perfect sense. Americans are deeply concerned about the recession, which threatens living standards and jobs. They also worry about the fragility of the banking system. Lower interest rates are widely regarded as an appropriate cure for both (related) ailments. But the dollar hardly figures in Washington's collective consciousness. The senators grilling Mr Brady were not remotely interested in its overseas purchasing power. Nor were the leading US newspapers: the stockmarket rally on Wall Street received some attention but the dollar's plight was largely ignored even in the business sections.

This attitude reflects the fact that the US is still a huge and relatively closed economy. Imports are growing but still comprise a lowish percentage of gross national product. When they get pricier, few people suffer badly. Insouciance about the exchange rate is also characteristic of a people who, with some justice, regard their currency as the world's currency. If most things that matter, including oil and your own debts, are priced in dollars, why bother about the cost of buying strange bits of foreign paper, such as English pounds and German marks?

The US's detachment is equally evident in the industrial sphere. The car industry may be under assault but many other sectors live in protected cocoons. To take a trivial example, my wife and I were disconcerted to discover that the washing machine in our modern rented US home is far inferior to the German machine we left in the UK. The performance of US washing machines, which resemble European models of the 1960s, is so poor that most Americans appear to take half their clothes, including shirts, to the dry cleaner. But US consumers do not complain because they know nothing better.

In social policy, I am constantly surprised by Americans' lack of interest in or knowledge of welfare systems overseas. Last week, Mr Richard Darman, the Budget director, tried to make capital of the fact that spending on "entitlements" – mainly health care and pensions for the elderly – has climbed steadily in the past three decades to about 52 per cent of the budget. Editorial writers expressed suitable shock and agreed that efforts must be made to target benefits on the poor.

But nobody mentioned that US spending is modest by international standards nor that, as populations age and schemes mature, such trends are visible throughout the industrial world. Nobody mentioned that spending on Medicare, the federal health scheme, is well controlled by private sector standards – which indicates it is a good scheme even for the rich. Lack of an international perspective leaves Americans wholly ignorant of the fact that public pension and health schemes can be justified on efficiency as well as fairness grounds. Properly structured, this means they can make sense for everybody, not just the poor.

In Washington, the solipsistic fantasy that nothing much of consequence exists beyond America's borders seems all too believable. Television and newspapers provide blanket coverage of America's Gulf war but precious little other foreign news. Domestic problems are exhaustively discussed, but in purely domestic terms. Even the US's games – baseball and American football – are unique to this continent. The political, economic and social costs of this self-absorption must be enormous. But try convincing a Congressman that anything is amiss.

JOTTER PAD

The worst of all worlds

IAN DAVIDSON
on Europe

The Gulf crisis, and the Gulf war, are having a traumatic impact on France. For more than a generation the country has pursued idiosyncratic policies based on pretensions of national independence. For most of that time, they paid handsome domestic dividends, because they were cost-free. Now, suddenly, many of the underlying assumptions are being tested in the fire of the Gulf war, and are being found wanting.

It may seem odd to pick out the French for special attention. After all, the Gulf war is having traumatic effects in all European countries, whether or not they are making a military contribution; and everyone can see that the traumas are likely to get worse before the war is over.

But France has claimed to be different. For 35 years the Germans, the British, the Belgians, the Dutch, the Italians and others, all embraced the principle of integration in the defence structures of Nato. But France has insisted on its right to be free of such constraints, in the name of national independence.

The Gulf war has proved what everybody already knew, that national independence is at odds with collective defence. The French doctrine of national independence may be wonderful for winning votes, but it is not very useful for winning wars.

It is common knowledge that the British forces in the Gulf are much more closely integrated with their American counterparts than are the French forces. One reason is that the British forces are bigger and more effective; another is that the French prefer independence; but the main reason is that British and US forces have learned how to be integrated in Nato, and the French have not.

Moreover, the doctrine of national independence has proved to have practical ramifications which are counter-productive at many different levels. The limited capability of the elderly French Jaguar aircraft, compared with the more spectacular exploits of the British Tornados, has been a source of serious national embarrassment in France. But this contrast in conventional military capability is not surprising, nor is it entirely deliberate; the French defence budget is crippled by the cost of the independent strategic nuclear Triad, whereas Britain spends only a tenth as much on its US-supplied system.

Events have repeatedly exposed the gap between the reality of war and the rhetoric of French independence. For as long as possible, the French authorities continued to claim that their forces would be entirely under national strategic control; only as the war came closer did they admit that French forces would, in practice, be under tactical American command.

France's embarrassment over its association with the US in the conduct of the war was vividly betrayed in its handling of the case of the American B-52 bombers. When the US asked for the right to fly B-52s from Britain through French airspace, the French could have no reason to refuse, since they were full members of the US-led coalition. But they delayed the basic announcement until after the evening TV news; the additional information, that US refuelling tankers would use French air bases, was delayed until almost midnight.

The enunciation of France's war aims in the Gulf was muddied by the presence in the government of Mr Jean-Pierre Chevènement, the former defence minister, since he was hostile to the conduct of any war at all. But it was only gradually that President François Mitterrand publicly admitted that the war would probably require the destruction of Iraq's military-industrial capability, thus giving the unavoidable impression that France was being dragged along behind America's chariot.

French disarray over the Gulf war has also been betrayed by the conscription issue. According to recent polls, two-thirds of the French public supports French participation in the war. The government does not seem to trust the solidity of this support, since it insists on keeping all national servicemen out of the conflict.

This may be humane and politically savvy. But the result is that the French have had difficulty in assembling units for deployment in the Gulf. If a democratic government cannot send conscripts to a war which it argues is just, and which is supported by two-thirds of the electorate, then its capacity to wage war is critically impeded. If things have come to such a pass, then either the government should abandon any pretence of overseas force projection, or else it should abandon conscription.

These are just a few of the military problems caused by France's previous policy of independence; the diplomatic and strategic traumas are just as serious. The French were proud of their special relationship with the Arab world, and especially with their chosen ally, Iraq. This policy, largely built on the export of modern weapons and high technology, has blown up in their face. They now have the worst of all worlds, with a military commitment in the alliance which is too modest to impress the Americans, but not small enough to appease the Arabs.

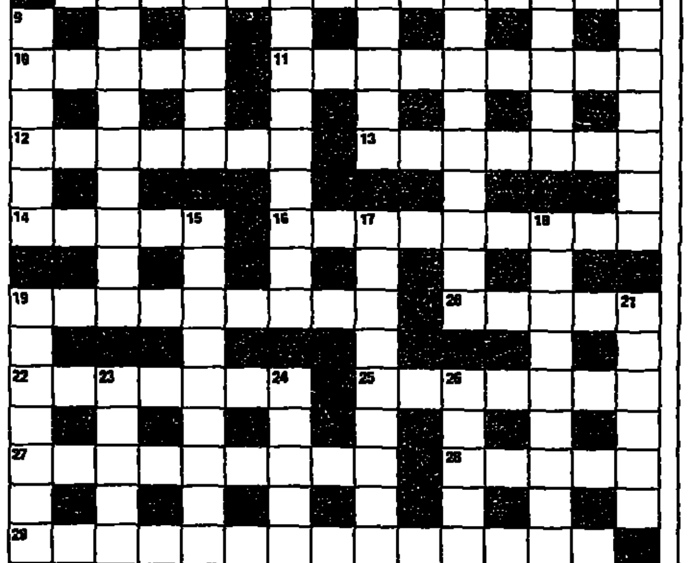
The Gulf war has exposed a yawning chasm between France's pre-war rhetoric and the war-time reality. In the circumstances, it is a remarkable tribute to President Mitterrand's commitment to the rule of law, and loyalty to the US, that he has taken France into the war with such firmness of principle.

But after the war, France will need to make a profound reassessment of its strategic assumptions. Presumably, it will try to put something more European in its place.

This will be stressful. But at least the French will not suffer from Britain's nostalgic temptation, to imagine that a good war alongside the Americans is a better alternative to a political future in Europe.

CROSSWORD

No.7,465 Set by PROTEUS



ACROSS

1 He may be expected to put a European gloss upon things (6,8)
10 Many take part outside the battle (5)
11 Pert lass's daring type of dress? (9)
12 Airmen ordered to model clothing (7)
13 One who orders a piece of furniture (7)
14 Pass the night in porter's room (5)
16 Mild spirit taking tea perhaps (9)
19 Sort of fodder bin that's not allowed (9)
20 Row about figure on watch (5)
22 Awkward ranger getting one more cross (7)
25 Things to be taken into account by Scottish estate managers (7)
27 Those ungrammatical fools, the hoi polloi (3,6)
28 Island I would lead in a manner of speaking (5)
29 Supporter attending assembly in customary way (14)

DOWN

2 What's left to soldier in dream perhaps (9)
3 Relative has point about resort (5)
4 Dithered as the tide turned (9)
5 Had a row with a king about dictionary (5)
6 Tool put into action (9)
7 Leans on worthless types (5)
8 Substitute for reticence (7)
9 A way artist and pupil have of dealing with stars (6)
15 Get rid of prophet in team selection (9)
17 Obvious hole in statement of party policy (9)
18 Have lethal thoughts but object to murder (3,2,4)
19 Wild French caper (7)
21 Go on with summary (6)
23 New part of course (5)
24 Take exam again – just one among others (5)
26 Country represented in feature article (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 23.

BASE LENDING RATES

	%		%		%
ABN Bank	14	Co-operative Bank	14	Nat Bk. of Kuwait	15
Adam & Company	14	Coutts & Co	14	NatWestminster	14
Allied Trust Bank	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
AIB Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
● Henry Ansbacher	14	Duncan Lawrie	14	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd	14½
B & C Merchant Bank	14	Exeter Bank Limited	14½	Royal Bk of Scotland	14
Bank of Baroda	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	First National Bank Plc	16	● Smith & Williamson Secs.	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Ireland	14	Girobank	14	Unibank plc	14
Bank of India	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of Scotland	14	● Hambros Bank	14	United Mizrahi Bank	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Western Trust	14
Benchmark Bank	14	● Hill Samuel	14	Westpac Bank Corp.	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Whiteaway Laidlaw	14
● Brown Shipley	14	Hongkong & Shangh	14	Yorkshire Bank	14
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk	14		
Clydesdale Bank	14	Midland Bank	14		
[illegible] Bk of London Plc	14	Mount Banking	14		

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